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Exploring the Relationship between the Board of Directors and the Shari’ah Supervisory Board in Islamic Financial Institutions in Saudi Arabia

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A thesis submitted in partial fulfilment of the requirements of the University of Wolverhampton for the degree of Doctor of Philosophy (PhD)

This work or any part thereof has not previously been presented in any form to the University or to any other body whether for the purposes of assessment, publication or for any other purpose (unless otherwise indicated). Save for any express acknowledgements, references and/or bibliographies cited in the work, I can confirm that the intellectual content of the work is the result of my own efforts and of no other person.

Signature: AHMED ALASMRI

Date: 28/04/2020

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ABBREVIATIONS USED

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
AASB	Accounting and Auditing Standard Board
AGC	Audit and Governance Committee
AGM	Annual General Meeting
BCCI	Bank of Credit and Commerce International
BCL	Banking Control Law
BIS	Bank for International Settlements
BCBS	Basel Committee on Banking Supervision
BOD	Board of Directors
CEO	Chief executive officer
CG	Corporate governance
CMA	Capital Market Authority
CML	Capital Market Law
CMSA	Capital Markets and Services Act 2007
CRSD	Committee for the Resolution of Securities Disputes
CSAA	Certified Shari’ah Adviser and Auditor
FASB	Financial Accounting Standards Board
FSA	Financial Services Authority
IFA	Islamic Fiqh Academy
IFI	Islamic Financial Institution
IFIs	Islamic Financial Institutions
IFSB	Islamic Financial Services Board
IIFA	International Islamic Fiqh Academy
IIFM	International Islamic Financial Market
IRTI	Islamic Research and Training Institute
OECD	Organisation for Economic Co-operation and Development
RBV	Resource-based view
RDT	Resource Dependence Theory
SAMA	Saudi Arabian Monetary Agency
SB	Shareholders’ Body
SOA	Sarbanes Oxley Act
SSB	Shari’ah Supervisory Board
TMT	Top management teams

GLOSSARY

Al-Dayyah - substitute penalty
Allah - God
Aqd - agreement
Aqilah – familial kin paying blood money in prehistoric pre-Islamic Arabia
Ayah - verse
Bai – sale
Bithaman ajil - delayed payment on sales
Bai Salam – Onward Retailing
Bai-al-dayn-bi-al-dayn - the sale of debt for a debt
Bai-al-kali-bi-al-kali – swapping overdue using a similarly delayed swapping
Bai-el-Inah - made-up sale
Bayt al-Mal–community treasury
Fard – compulsory obligation
Fasid - illegal
Fatwas - religious judgement regarding Islamic decree
Fidyah - payment of war convicts
Fiqh - Islamic jurisprudence
Fiqh al-muamalat- Islamic commercial jurisprudence
Gharar - contractual ambiguity
Hadith - Sayings of Prophet Muhammed
Haram–Actions strictly prohibited and punishable
Hisbah- A local administration office
Ijara – rental agreement
Ijma - agreement
Ijtihad - self-exertion
Istihsan - something desirable
Istishab - legal assumption
Istislah - public interest
Istisna - directive to manufacture
Iwad - substitute
Jahbadh – Financiers in the 9th century
Khiyar - option
khiyar al majlis - choice of astringent session
khiyar al-shart - choice by a requirement
Madhhab - school of classical Islamic jurisprudence
Maisir - gambling
Minhaj - the way or the path
Mubah - an action which is permitted
Mudarabah - Profit and Loss Sharing
Mudarib - the entrepreneur
Muḥtasib - the officeholder of ḥisbah
Mukruh– disapproved acts

Murabaha–the sum of cost and sales
Musharaka - partnership or joint venture
Mustahab - an action which is rewarded
Mustajir - the lessee
Qardh-al-Hasan - benevolent or interest-free loans
Qiyas - analogical reasoning by Muslim judges
Quran - the Holy Book of Islam
Rabb-ul-mal - the owner of capital
Riba - interest
Riba al-Fadl - exchange surplus interest
Riba an-Nasia - delayed interest
Sahih - valid
Sarrāf – Financiers in the 8th century
Shari'ah - Islamic law
Sharika aqd - a contractual partnership
Sukuk - Islamic bonds
Sunnah - the way of the Prophet Mohammed
Tadawul - Saudi Stock Exchange
Takaful - Islamic insurance
Takhassus Fil Fiqh- Specializing in Islamic Law
Taqlid - the opinions of other scholars
Tawarruq - monetisation of commodities
Tawhid- Oneness of God
Urban - earnest money
Urf - custom
Usul al-fiqh - Islamic jurisprudence
Waad - unilateral Promise
Wakalah - agency
Wakeel - agent
Zakat - obligatory almsgiving

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DECLARATION

I declare that in line with the university policies on academic integrity, this is my original and creative work which has not been submitted to other institutions for academic evaluation. The whole dissertation is written explicitly for this university towards the completion of the current academic degree.

ABSTRACT

Shari'ah-based governance has grown in the last three decades to become a unique and exclusive system in Islamic financial institutions (IFIs). Although there has been growing research interest in the topic concerning the need to have an efficient and sound Shari'ah corporate governance (CG) system in IFIs, there are no insights into the role and function of governance bodies within this new framework. Specifically, there is a lack of academic studies that have focused on investigating the relationship between the board of directors (BODs) and Shari'ah supervisory boards (SSBs) in the IFIs in Saudi Arabia. The main objective of this research was to examine how the BODs and the SSBs exercise their roles in the Saudi Islamic banks. In order to address this objective, the thesis sought to provide answers to three questions. First, the research attempted to examine the nature of the relationship between the company directors and the SSBs in Saudi Arabia, focusing especially on the roles and tasks of these governance bodies. Second, the research was designed to identify the factors in the CG structure of IFIs in Saudi Arabia that either support or undermine the deployment of the SSBs. Third, it intended to explore potential areas of convergence or divergence which exist between the BODs and the SSBs. A qualitative research approach was used to collect relevant information from the study participants using interviews for the data collection process. Findings drawn from the interviews revealed that the nature of the current relationship between SSBs and the BODs is initiated and sustained by several factors. Some of the important factors which inform the relationship of these two boards include the growing focus and foundation in Saudi Arabia towards the important role that the boards play, including promoting the achievement of IFIs objectives and stakeholder interests. Results from the study also indicated that several factors have been reported to support or undermine the uptake of SSBs. Some of the important facilitators include increasing public and consumer support for the need to have SSBs, the growing consensus among stakeholders to ensure banks offer legitimate products in line with Shari'ah principles, changing perceptions in the Islamic financial sector towards CG, and the desire to achieve effective governance via compliance with Shari'ah and Islamic laws. Finally, data revealed that the roles which the boards play supplement each other towards achieving the same objective of financial growth and stakeholder interests. Fundamentally, the two boards engage in frequent communication and information exchange regarding banking practices, where the outcome includes improved policy and process formulation and practice for their companies. In conclusion, findings from this study show that the SSBs and the BODs need to be perceived as complementary units that supplement each other as opposed to being perceived as being separate and conflicting boards in the IFIs.

Chapter 1: Introduction

1.1. Background of the Study

Since the early 1990s, the importance of corporate governance (CG) has increased exponentially in the wake of several corporate crises and scandals, prompting stakeholders to rethink their approach to CG (Azmat, Skully & Brown, 2015; Iqbal & Mirakhor 2004). For instance, an upsurge in fraud cases involving multibillion companies such as Enron prompted the United States Congress to enact the Sarbanes Oxley Act (SOA) (Becht & Barca, 2001; Bassens, Derudder, & Witlox, 2011). Furthermore, weaknesses in the shareholder model of CG prompt the rise of the stakeholder model, which expands the scope of responsibility of companies towards society (Abdul-Rahman, 2010; Archer & Rifaat, 2006; Grassa & Matoussi, 2014). Based on these insights, it can be pointed out that CG is a delicate matter in the contemporary business environment, which continues to develop depending on the business environment, as well as society's demands towards organisations (Becht & Barca, 2001; Mullah & Zaman, 2015).

According to Faleh (2013), in Saudi Arabia, CG is just as important as in any other part of the world, as witnessed in the country's financial industry. For years, the government developed CG laws that sought to underpin standard practice for all players in the financial sector (Al-Shamrani, 2014). However, Faleh (2013) cautions that such measures are not enough as companies introduce additional safeguards to fortify their CG initiatives even further. The implications of this are evident in the emergence of SSBs as a mainstay component of the CG structure in Islamic financial institutions around the country (Khokhar & Bukhari, 2014), an aspect that gives CG as applied to the banking sector a unique model while underscoring the degree of commitment towards the stakeholder model across the world (Abdul-Rahman, 2010; Khokhar & Bukhari, 2014).

Regarding the Saudi Islamic financial institutions, the literature points out that since the early 1990s, the SSBs has played out an integral part in making sure that the organisation meets the social pressure that comes with the commitment to issue products tailored for the Muslim market (Becht & Barca, 2001; Khokhar & Bukhari, 2014). While financial practices around the world are often standard, cultural sensitivity in the Gulf Cooperation Council (GCC) countries, and especially in Saudi Arabia is such that Islamic financial institutions are required to offer products that are consistent with Islamic law (Farook, & Farooq, 2013; Garas & ElMassah, 2018). As a result, IFIs in Islamic countries need to adjust their governance to ensure adequate compliance with the Shari'ah laws (Farook & Farooq, 2013) since they face the threat of losing their legitimacy or failing to attain the desired levels of Islamic compliance (Farag, Mallin, & Ow-Yong, 2018). From this perspective, it can be noted that SSB is an integral component of the CG system in Saudi Arabia (Gözübüyük, Kock, & Ünal, 2018). However, one aspect that is not apparent is the way SSBs collaborates with the more traditional components of CG, especially those founded under the shareholder model (Hamza, 2013; Ullah, Harwood, & Jamali, 2018). Pollard and Samers (2013) pointed out that the shareholder model of CG develops leadership and corporate structures that are answerable to shareholders alone, while the Board of Directors (BODs) ensures that the shareholder rights and interests are adequately protected (Pollard & Samers, 2007; Hassan & Aliyu, 2018).

Obid and Naysary (2014) assert that the introduction of SSBs in Islamic financial institutions urges them to be conscious of interests from other stakeholder groups; hence, pushing the BODs to be conscious of a wider scope of objectives, other than profit-making, or protecting shareholder interests. According to Narayan and Phan (2019), the value of this additional component of CG manifests in the way that it promotes the adoption of Islamic law in financial institutions. Nonetheless, Nawaz (2019) cautions that way SSBs coexist with the BODs within the same corporate space remains unclear. Considering these deliberations, this research attempted to explore more about the CG structure of IFIs to establish how the SSBs and BODs collaborate. Having presented the background to this study, the next section elaborates more about the specific research problem which will be investigated in this research.

1.2. Problem Statement

Research on CG has grown substantially in the past few decades, and especially since the 1990s (Haniffa & Hudaib, 2007; Williams & Zinkin, 2010; Farag, Mallin, & Ow-Yong, 2018). One reason for this, as mentioned earlier, has been high-profile corporate failures such as Islamic Bank of South Africa, Ihlas Finance House of in Turkey, and Islamic Investment Companies of Egypt (Azmat, Skully & Brown, 2015; Iqbal &Mirakhor 2004). As remarked by Hayat & Hassan (2017), it is also important to note the reality that the global business environment keeps on changing from time to time, thus necessitating the need to build business models that can meet the demands of the new milieu (Narayan & Phan, 2019). However, research in some areas of CG is under-developed (Mohammed & Muhammed, 2017). Since the inception of the stakeholder model of CG, countries now have two- or three-tiered boards (Azmat, Skully & Brown, 2015). In other countries, there is mandatory employee representation championing for the rights and interests of other stakeholder groups apart from the shareholders (Farag, Mallin, & Ow-Yong, 2018). In Islamic countries where the financial sector is established on Islamic and Shari’ah regulations, the

SSB is an integral component of Islamic financial institutions such as Malaysia, Kuwait, Egypt, and Saudi Arabia (Mejia et al., 2014). Despite their significance to CG, SSBs are among the most understudied components of CG, especially in terms of how traditional structures of CG interact with them or support their presence in the CG framework (Azmat, Skully, & Brown, 2015; Azid, Asutay, &Burki, 2007; Gözübüyük, Kock, & Ünal, 2018; Platteau, 2008). As a result, there is a gap in knowledge in the existing literature regarding how one can objectively evaluate their effectiveness or commitment to structures that they put in place to promote financial performance, service delivery to stakeholders, and long-term sustainability.

In the context of this study, the prevalent implementation of SSBs in Islamic financial institutions warrants research that informs practice by exploring different aspects of the use of SSBs to promote the stakeholder model. The need for this research is informed by the existing knowledge gap resulting from the paucity of research on CG (Gözübüyük, Kock, & Ünal, 2018), while existing theories have not appropriately explored the changes in the IFIs business environment (Garas, & ElMassah, 2018). One of the important aspects that this research would help identify is the way SSBs interact with the BODs within the IFIs, which is considered to be at the apex of organisations and tasked with control and monitoring of management in the traditional agency view of CG (Al-Shamrani, 2014). Failure to explore this relationship shows that there is a considerable research gap that requires addressing. Taking this approach not only provides knowledge that stakeholders and researchers can rely on to understand the deployment of these boards better but also provides a foundation for subsequent research into the area. Recent studies by Farag, Mallin, and Ow-Yong (2018) and by Narayan and Phan (2019) have noted the important role that SSBs play in IFIs institutions. Moreover, Ullah, Harwood, and Jamali (2018) observed that SSBs help in undertaking internal reviews and reporting across IFIs. On their part, a study by Garas and ElMassah (2018) revealed that in line with agency theory, SSBs facilitate corporate operations in line with promoting the interests of the public. However, based on the extant literature, there is still limited information in the mentioned literature which have compared how both the BODs and the SSBs interact within the IFIs, especially in Saudi Arabia, thereby prompting the need for this study.

1.3. The rationale of the Study

The rationale of undertaking this study was informed by the paucity of literature knowledge which has explored the relationship between SSBs and BODs, especially in Saudi Arabian IFIs. To begin with, the literature acknowledges that both the SSBs and BODs play a fundamental role in facilitating financial success and reducing potential risks to which IFIs are constantly exposed (Amanullah, 2015; Hafizah, Azizi, & Al Jaffri, 2016). Poor risk management can potentially dampen or enhance the profitability of IFIs. However, although the existing academic research is relatively succinct in addressing the impact of SSBs on IFIs, studies pertaining to how SSBs operate with regards to interfaces and tasks with other facets of IFIs are still lacking. For example, there is a paucity of literature insights on the relationship between SSBs and their influence on BODs. Abd et al. (2015) examined the efficiency of Islamic Banks in Malaysia and explored the role of SSBs in IFIs and the obligations of BODs in IFIs. However, the researchers recommended the need to explore the interplay between SSBs and BODs in terms of business operations.

Underwriting the above considerations, the relationship between SSBs and BODs in the IFIs becomes critical to explore in terms of how SSBs influence top banking management and the BODs to improve service delivery to stakeholders. In most cases, the IFIs largely differ from the conventional banking sector which exposes Islamic banks to higher risks. For example, in the *Murabaha* financing system, IFIs are exposed both to the credit risk and defaults related to counterparty risks among commodity traders who also serve as contracting parties in this financing model (Azmat, Skully, & Brown, 2015; May-Chiun, Mohamad, Ramayah, & Chai, 2015). Moreover, the IFIs financing principles are commonly based on loss and profit sharing (i.e. equity sharing unlike in conventional banks) such as *Mudarabah* and *Musharaka* in the event of business failure (Bassens, Derudder, & Witlox, 2011; Mediawati, 2016). Since the financing relationship between IFIs and investors is based on partnership, it becomes difficult to mitigate challenges such as business failure because they have a strong influence on project management and finance (Hafizah, Azizi, & Al Jaffri, 2016). Yet, there are still limited studies to establish how SSBs influence the performance of top IFIs management including the BODs decision-making activities (Hafizah, Azizi, & Al Jaffri, 2016; Norazlina & Rahim, 2015; Sani & Ram Al Jaffri, 2016; Suhaily, Maslinawati, Nurshazana, & Zubaidah, 2016).

Yeh and Hsieh (2017) noted that SSBs are mainly responsible for ex-ante approval of financial services and products while monitoring ex-post the activities and operations of IFIs on behalf of stakeholders in efforts to enforce Shari'ah. Even so, limited studies on the topic have explored the relationship between SSBs and BODs, with existing studies examining how BODs implement decisions made by SSBs. In the process, SSBs have only been researched in the light of being an additional layer of CG in the IFIs meant to complement the oversight roles of the BODs (Abd et al., 2015). Zaemah and Norhafiza (2016) also examined the role of SSBs and BODs in IFIs and concluded that SSBs ensure that financial contracts align with Shari'ah. The researchers noted that there exists limited knowledge of the advisory relationship between SSBs and BODs.

In Saudi Arabia, this area of research has received even little attention to-date and there is no clear relationship between SSBs and BODs. Past literature publications on SSBs largely focused on studying the Shari'ah governance framework (Al Elsheikh & Tanega, 2011; Al-Shamrani, 2014; Farag, Mallin, & Ow-Yong, 2018), the impact of Shari'ah governance on IFIs (Gözübüyük, Kock, & Ünal, 2018) and effectiveness of Shari'ah supervision model (Grassa & Matoussi, 2014). However, there is little information as to how the structure of SSBs and the resources availed by its Shari'ah advisors contribute to the effectiveness of BODs and IFIs in meeting stakeholder outcomes. Thus, the rationale of this study was to fill the knowledge gap in the literature in terms of assessing the potential relationship between SSBs and BODs, and explore how BODs are influenced by SSBs in dispensing their financial obligations in the IFIs.

1.4. Research Scope

The focus of this study is limited to IFIs in Saudi Arabia with specific research scope limited to assessing the relationship between the BODs and the SSBs in Islamic banks. Over the years, has been growing research focus on SSBs within IFIs across various countries such as Egypt (Zuhaida, 1990), Malaysia (Bazeley, 2009), Egypt, Kuwait (Pathan & Faff, 2013), and the UAE (Ayub, 2007). However, considering that the topic of CG is quite broad, the study takes steps to narrow it down and identify a context and parameters where a study can be practically conducted. Thus, the scope of this study was limited to Saudi IFIs with a specific focus on exploring the relationship between BODs and SSBs within the banking sector in Saudi Arabia. The specific focus on Saudi Arabia was selected considering the ease of conducting the research in this location in addition to the existing links with important contacts within the IFIs. Also, the research environment, board structures, and legal environment in Saudi Arabia are different from most of the countries with SSBs such as Egypt and Malaysia considering the absolute monarchy nature of the Saudi Kingdom where all business must comply with Shari'ah law (Al-Shamrani, 2014; Khokhar & Bukhari, 2014). In terms of the context, the study takes place in Saudi Arabia and specifically focuses on IFIs.

Further, focusing on Saudi Arabia helped narrow the research topic while focusing on fundamental gaps identified in the literature on the roles of SSBs and BODs in the CG of banks. The reason for conducting the study in this context is the prevalence of financial institutions in the country that offer the Islamic form of banking, as well as the significance of compliance with Islamic law in the region (Mollah, Hassan, Al Farooque, & Mobarek, 2016). Selecting this study context ensures that the study comes up with findings that are relevant and practical. In terms of data collection, participants for the research come exclusively from financial institutions in Saudi Arabia, a move that ensures the study engages with individuals that have the credibility to touch on the topic under investigation. As a result, focusing on banks offers important insights considering that the Quran and Shari'ah laws significantly discusses the issue of legitimate money transactions in this sector. As a result, focusing on banks provides an important benchmark to evaluate the extent to which these corporate adhere to pre-establish Shari'ah and Islamic guidelines in the Quran and the Sunnah (Garas, 2012). The next section presents a brief discussion on the existing knowledge gap in the literature which this study seeks to fill as relates to the relationship between SSBs and BODs in the IFIs.

1.5. Literature Gap

Forbes and Milliken (1999) examined CG and how BODs serve in strategy formulation. Their research generally focused on corporate group effectiveness when BODs operate to promote CG.

Nonetheless, they did not examine CG in the financial sector and failed to examine the role of SSBs in firms. In contrast, Garas (2012) examined the conflict of interest in SSBs but did not compare their studies with BODs. Besides, the research by Grass and Matoussi (2014) did not compare or contrast SSBs and BODs in the banking sector. Garcia-Torea et al. (2016) assessed the effectiveness of BODs in CG. The researchers explored the relevance of BODs in promoting stakeholder and shareholder interests in the corporate sector. However, the researchers did not investigate BODs within IFIs sectors, and their study also lacked reflection on SSBs within the financial industry. More recently, Haridan et al. (2018) examined CG in Islamic banks and examined the influence that SBs have in promoting efficient banking governance. However, the researchers did not investigate the role of BODs in the governance of banks, and neither did they compare operations between BODs and SSBs.

Further, the extant literature on Shari'ah is largely limited in terms of examining the relationship between SSBs and BODs (Mollah & Zaman, 2015). Mollah, Skully, and Liljeblom (2017) pointed out that past studies focused on examining the relationship between SSB expertise, SSB education, SSB cross-membership, and SSB size with a limited approach to assessing the interaction between SSB and BODs. Further, past studies were limited in their variables when examining BODs in terms of gender composition, representation, and BOD composition (Ramly, Chan, Mustapha, & Sapiei, 2016). In response to past literature which has been limited in its research scope, this study focused on assessing new independent variables in the IFIs performance context, namely the relationship between SSBs and BODs.

The literature argues that the main factors which influence BOD operations also affect SSBs since the role of SSBs, audit committees, and BODs are considered to be similar (Mollah & Zaman, 2015). Chan, Koh, and Kari (2016) added that the structure of CG and that of the conventional boards seem to be similar as earlier reported by Bhatti and Bhatti (2010). In line with these arguments, it can be noted that CG theories such as resource dependence theory (RDT), stewardship theory (STD), and agency theory (AGT) can be extended into the Saudi IFI sector to explain the potential impact and relationship between SSBs and BODs. Past studies such as the one undertaken by Fakhrunnas and Ramly (2017) and Oseni, Ahmad, and Hassan (2016) have used these theories to explain the effectiveness of SSBs in IFIs. Therefore, this study is different from past academic publications since it examines the interaction and resulting impact between SSBs and BODs in the IFIs across Saudi Arabia.

Further, past studies have largely used single theories to explore the different operations by SSBs and BODs in the IFIs (Farook, & Farooq, 2013; Grassa & Matoussi, 2014). The current study uses agency theory to examine the monitoring aspects of agency theory, in addition to resource dependency theory to examine the impact that SSBs have on BOD's decision-making approach in IFIs. Thus, the study will integrate the arguments of RDT and AGT to support the postulation that the objectives of CG can be achieved effectively by combining or interacting SSB and BOD governance mechanisms, as opposed to relying on a single research approach as done in past studies. Considering the shortcomings identified from past studies, undertaking this research is important because new knowledge will be created to fill the existing knowledge gap on how well primary doctrines that underpin the Saudi financial transactions in IFIs are implemented in the light of Islamic and Shari'ah laws.

Therefore, one of the key significances of undertaking this study was to formulate a strong foundation for the adoption of Islamic law in financial institutions across the world, a commitment which this study intends to aspire and make subsequent follow-ups on, in the future (Pathan & Faff, 2013). Another aspect that motivated the need for this study was the fact that there is very little academic evidence on the association between SSBs and the BODs. According to Iqbal and Mirakhor (2007), this is even though the adoption of a CG system that is sensitive to Shari'ah law is prevalent in Saudi Arabia. However, past financial literature in Saudi Arabia has not taken into consideration the need to review the commitment that the banking sector has had towards this system of CG in IFIs (Pathan & Faff, 2013). Through this research, therefore, there is optimism that this knowledge gap will be closed by examining how the SSB and the BODs operate together in the same financial organisation, an aspect that would help establish the amount of ground that they have covered when assessing the IFIs literature in Saudi Arabia.

The motivation to undertake this study was also informed by the literature gap identified from other past publications on the topic. For example, Granot, Brashear, and Motta (2012) noted that CG is an essential component of the modern economic systems and specifically the banking industry and other financial institutions. Iqbal and Mirakhor (2007) elaborated that failures in CG have had detrimental effects on the lives of most shareholders and stakeholders in the banking sector across the world. As applies to the IFIs, the need for a reliable CG structure makes it imperative to engage in a constant discourse that will review current CG practices, identify strengths and weakness, and report on the same to be able to continue to improve fundamental CG codes between SSBs and BODs. Pathan and Faff (2013) hold the view that SSBs are essential to the sustainability of IFIs in Saudi Arabia. However, the literature expresses its reservations regarding the quality of service that IFIs deliver in terms of fulfilling Shari'ah requirements, or whether they have the capacity in terms of their BODs and SSBs to function effectively according to with the Islamic laws (Farook, & Farooq, 2013). By assessing the relationship between SSBs and the BODs, this study will be able to attain an in-depth glimpse into one of the aspects that influence the banks' integration to the CG framework of Saudi Arabia IFIs. In the process, the study will help identify whether improvements are necessary, or the way that IFIs deploy the agency theory contribute towards shareholder and the general public's interests in the light of BODs and SSBs, respectively (Feng, Ghosh, & Sirmans, 2005; Farook, & Farooq, 2013; Pathan & Faff, 2013).

Being able to understand the state of the relationship between SSBs and the BODs requires a glimpse into how the two interact with each other. This is attainable through the learning of the experiences of people who are part of these two bodies, and those that watch the work. Therefore, one would argue that it is an impossible task when one does not have access to people who experience these boards work. The fact that I could gain access to members of the SSBs and the BODs of IFIs in Saudi Arabia offers me a strong opportunity to see the study through, an aspect that drives me even further. Another resource-related factor that drives me to conduct this research is the availability of materials. While studies reviewing the placement of SSBs in the CG system of Saudi Islamic financial institutions are minimal, there is a strong body of literature on CG in general. This presents an interesting opportunity to leverage theory and the experience of experts in the field of CG in Saudi Arabia, which would yield invaluable knowledge to the study's target group.

Considering the above literature assessments and shortcomings, it can be pointed out that there is a paucity of information in terms of research when it comes to comparing the functions of SSBs and BODs in the IFIs. Specifically, there are limited insights when one considers how SSBs interact with other corporate administrative agencies such as BODs and their role in CG within IFIs. Consequently, the main objective of the current dissertation was to explore how SSB and BOD associate with each other within the IFIs environment in Saudi Arabia. The thesis builds significantly on the fact that this knowledge gap exists, including the fact that the business environment and CG demands continue to evolve within the IFIs sector, emphasizing the need to advance the research on the relationship between SSBs and BODs to inform positive practice within this financial institution. Among the aspects that the research looks to include is how the BODs relate to the SSBs, and how this influences the ability of both bodies to discharge their mandate. The study will also go in to review how internal systems installed by the organisation aid, or undermine the deployment of a stakeholder-based corporate government model through the deployment of two boards. Another aspect that the study will be looking at is the role of SSB in Saudi Arabia IFIs, and areas where they converge with the BODs when discharging their mandate. As such, the research is limited to investigating the nature of the existing relationships between SSBs and BODs in Saudi IFIs, identify factors which support the uptake of SSBs, and examine areas of divergence of convergence between the two board as applies to the Saudi Arabian financial sector.

1.6. Research Aim and Questions

The central question which guides this study is based on exploring the nature of the relationship between BODs and SSBs in Islamic financial institutions in Saudi Arabia. Three research questions were developed to assess the formulated research aim which includes the following:

RQ 1: What is the nature of the relationship between the BODs and the SSB in IFIs in Saudi Arabia?

RQ 2: What factors in the CG structure of IFIs in Saudi Arabia support or undermine the relationship and division of tasks between SSBs and BODs?

RQ 3: What areas of convergence are there in the roles of the BODs and SSBs in IFIs in Saudi Arabia?

In light of the above research questions, the specific research objectives of this study included:

Objective 1: To examine the nature of the relationship between the SSBs and BODs in IFIs in Saudi Arabia.

Objective 2: To identify corporate governance factors in the IFIs in Saudi Arabia that undermine the relationship and division of tasks between SSBs and BODs.

Objective 3: To assess the existing areas of convergence in terms of BOD and SSB roles within the IFIs in Saudi Arabia?

1.7. Contributions of the Study

As noted previously, the relationship between SSBs and BODs is fundamental in the success of IFIs, especially when considering lending approvals and risk management processes. Most financial risks and poor liquidity performance have been attributed to inadequate monitoring of top management especially when lending approvals and made based on inadequate diligence. To avoid potential financial risks in IFIs, there is a need to establish a close relationship between SSBs and BODs to ensure IFIs' practices align with Shari'ah laws and stakeholder needs. Considering these observations, undertaking this study makes important contributions to the IFIs literature.

First, a major contribution which this study will make is identifying the nature of the relationship between the BODs and the SSBs in IFIs in Saudi Arabia. As noted in the literature, there are limited studies which have explored the relationship and interaction between SSBs and BODs. Instead, past studies have focused on limited research variables when researching on BODs and SSBs such as the composition of the boards, gender balance, education level, qualifications, experience, and exposure. On the contrary, however, there are hardly any insights in the literature to help explain the theoretical or empirical nature of the relationship between the BODs and the SSBs in IFIs. Specifically, the research on this topic as applies to Saudi Islamic banks is relatively new and scanty, with hardly any studies delving into this topic. Thus, one of the main contributions made by this study is establishing the theoretical relationship between SSBs and BODs as applies to the IFIs in the Kingdom of Saudi Arabia.

Second, the study makes an important contribution to a knowledge gap in terms of assessing the specific factors in the CG structure of IFIs in Saudi Arabia that supports or undermines the deployment of SSBs in monitoring BOD activities. Insights from the Saudi IFIs literature fails to identify potential enabling CG factors which facilitate the role of SSBs in IFIs, especially when managing financial risks. Further, the existing studies have also failed to explore and identify hurdles which hinder effective SSB deployment in the IFIs sector. As such, undertaking this study makes a significant contribution in creating new knowledge concerning the enabling and hindering factors in the deployment of SSBs in the Saudi IFI sector.

Third, in most literature publications, researchers and practitioners have largely treated the SSBs and BODs as separate and unique entities. That is, the two bodies within the IFIs are considered autonomous and the perception which continues to play in regard to this aspect is that the two bodies are separate entities. In this study, the researcher attempted to explore potential areas of convergence that exists between SSBs and BODs in terms of their roles within the Saudi Arabian IFIs sector. In the process, the study seeks to identify potential areas of collaboration to enable the SSB and BODs function as a unit towards ensuring IFIs promote stakeholder interests of maximizing profits and minimizing financial losses and risks. In summation, the three contributions made from this study contributes to the satisfaction of the primary research aim of investigating the nature of the existing relationship between SSBs and BODs in the Islamic banks in Saudi Arabia.

1.8. Research Significance

The contribution of SSBs to the progression and success of Islamic financial institutions is unquestionable. An area that requires addressing is how this new component of CG fits into the governance structure of these institutions, given that they also have the BODs (Becht & Barca, 2001). This research commits to dig deeper into the CG structure of Islamic financial institutions to address this issue by deconstructing the relationship between the BOD and the SSB in Saudi Arabia. Consequently, this study is significant in several areas. First, it provides an opportunity to provide new insights into the governance characteristics of this distinct form of dual board CG system. The purpose of adopting the stakeholder model in the place of the shareholder model by most organisations, especially in Europe (Becht & Barca, 2001), is to create institutions that are responsive to the needs of multiple stakeholder groups (Becht & Barca, 2001). Those in favour of this argument conceive that organisations have grown exponentially, and they have a greater impact on society. As a result, it is imperative to extend their scope of responsibility so that they can have a more desirable impact on society (Abdul-Rahman, 2010). By looking at the way that the BODs interact with and relate to the SSBs, this research opens a door to understand board roles with this dual board framework. Another significance of this research is that it provides the opportunity to fortify theory by leveraging the knowledge and experience of those that have been part of organisations that use the stakeholder model. The inception of the stakeholder theory undermines the application of agency theory in modern organisations. Much of this is attributable to the fact that the former champion a more comprehensive and inclusive corporate response to those that have a claim on it (Iqbal and Mirakhor 2004). With the stakeholder model gaining much traction in recent years, one could see why the SSBs have become prevalent in Saudi Arabia's Islamic financial institutions. To establish if the provisions of the stakeholder model and theory hold, we need to have a more in-depth understanding of organisations that have employed this model, and look at how a focused sustainability component of CG is embraced within the entire governance system (Archer &Rifaat, 2006). By doing so, the study can identify areas where theory is supported by practice (Abdul-Rahman, 2010).

The current research is also essential in understanding the value of SSBs in the Saudi IFIs. For a long time, CG has been anchored on promoting economic outcomes which are intended to make IFIs more sustainable. Individual companies continue to stretch the limit of their mandate to modify their CG systems to attain the highest level of sustainability. For example, the creation and implementation of SSB in countries with IFIs is a largely voluntary act by the Islamic financial institutions across Saudi Arabia. Such growth in the perception of sustainability is essential for creating a business culture that promotes more than just fiscal gains. However, is it genuine? This study is essential in the sense that it helps in examining how IFIs promote their legitimacy in line with Islamic law and Shari'ah regulations in Saudi Arabia, in addition to adopted efforts by looking at how organisations treat institutional components that focus on promoting sustainability. In this case, SSBs, which focus on promoting Islamic financial institutions that meet the demands of Islamic law will be explored to examine their operations and how they coordinate with the BODs to execute their mandate in the IFIs in Saudi Arabia. Looking at these three issues, one can say that this study is essential to gaining a clear and elaborate understanding of modern CG in Islamic financial institutions. Today, Saudi Arabia is an integral component of the global financial system through its involvement in globalization and international economic activities. Studying the state of their CG structure in one of its key industries provides a strong opportunity to have a glimpse of where the world is headed in this regard. In addition, the fact that research in this area of CG is underdeveloped underscores why this study important.

1.9. Research Methodology

In efforts to assess these concerns, the preferred mode of data collection entailed using interviews, which the researcher found to be more effective in this study in comparison to alternative data collection methods in collecting expert knowledge on the topic. Using interviews was appropriate because the researcher was able to collect expert information from BOD and SSB members conversant with the research topic. The detailed insights made it possible for the researcher to identify opinions, views, and perceptions about the relations which exist between BODs and SSBs in the Islamic banks. The model proposed by Granot et al. (2012) regarding a three-stage interviewing process was used during the data collection process. As such, the interview, structure, plan, and execution were undertaken in a hermeneutic ethnographic version which is widely used to collect views and perceptions when undertaking business-to-business interview sessions. The interviews were semi-structured and took an approach that ensured each of the participants was able to express themselves fully.

Another notable aspect of the methodology is the type of participants that take part in the interviews. The study selects individuals with experience in the Saudi Arabia corporate space when it comes to matters relating to CG, i.e., members of the BODs, CEOs and SSB members. All these stakeholder groups have a strong comprehension of the CG process in Islamic financial institutions (Ainley et al., 2007). Most importantly, they are part of the CG process, which gives them the credibility required to comment on the relationship between the BOD and SSBs. Electing to work with this respondent cohort underscores the rationale for choosing to work with interviews as the preferred data collection technique because it means that the researcher gets to interact with a wide pool of knowledge on the issue under investigation (Myers, 2013). Such flexibility in the data collection process ensured that all 14 participants have an opportunity to issue feedback that will carry weight in the final study results. The researcher also had to translate the data to English, considering that all interview sessions had been conducted in Arabic. In addition, most of the interviewees were not proficient in English.

1.10. Research Structure

Having presented the research background, aim and objectives, the succeeding chapters are arranged as follows:

Chapter 2 presents and explores the literature related to CG, to locate the study within the theoretical and conceptual body of knowledge. The specific focus of the literature is anchored on conceptual definitions, CG systems, and codes, board functions, and characteristics, and the importance of boards in CG. Chapter 3 discusses the CG from the Islamic perspective (different from chapter 2 which discusses general CG in the conventional banking sector) outlining the necessary conceptual framework and its role in Islamic financial institutions. The actors in Shari'ah governance the theoretical perspectives related to SSBs, functions, and characteristics of these Islamic boards are detailed, in addition to the existing issues and challenges.

Chapter 4 elaborates the research methods applied to this study to collect relevant data to answer the formulated research aims and research questions. The chapter begins with a discussion of the research paradigms, followed by design, the structure of the interview process, sampling approach, data analysis, consistency and trustworthy of the collected data, and identifies possible ethical issues that emerge during the duration of this study.

Chapter 5 further details findings from the interview sessions held with the BODs, SSBs and CEOs members considering the formulated research questions. The main findings revealed that the BODs and SSBs in Saudi IFIs serve to complement each other. In both cases, the boards have an important monitoring and control role. While the BODs ensure managers work towards the realisation of shareholder interests, the SSBs ensure that managers in banks serve the interest of the wider public. The study also noted that there are several factors which promote the uptake of SSBs in Saudi IFIs largely due to growing demands for corporations to align their operations with Islamic and Shari'ah regulations. On many aspects of CG, the BOD and SSBs complement each other as evident from their regular meets held to exchange information on corporate performance and report documentation. As evident, both boards supplement each other in terms of ensuring IFIs in Saudi Arabia meets the Shari'ah and Islamic stipulations upon which their financial operations are founded.

Chapter 6 serves to give an in-depth and critical discussion of results presented in Chapter 4 considering past literature studies on this topic. Findings drawn from this study postulates a model to capture the distinct roles of SSB and BOD and those that are shared and negotiated, within the Saudi banking sector. The model illustrates that the BODs and SSBs complement each other where BODs ensure effective control and monitoring of managers to fulfil shareholder needs, while SSBs monitor and control managers to ensure they work towards the realisation of the wider public interests.

Chapter 7 concludes the study by summarizing the primary insights of this study, outlines important recommendations, and provides suggestions for future study prospects anchored on the potential shortcomings of this research.

Chapter 2: Literature Review

2.1. Corporate Governance Overview

The current study sought to investigate the central question on the nature of the relationship between BODs and SSBs in Islamic financial institutions in Saudi Arabia. Essentially, the literature reveals that BOD tasks are grounded in mainstream corporate governance theories, while the SSB tasks are grounded in Shariah law. In the current chapter, the literature details and argues about corporate governance theories upon which BOD tasks are grounded. According to Abd (1998), CG denotes the control and regulation of top management by the BODs, executive initiatives, associated structures, and other schemes of bonding and monitoring. In the process of this control, the structure and scope of the BODs are narrowed.

Kaplan and Norton (2000) pointed out that CG entails the established connection between managers, directors, customers, suppliers, creditors, shareholders, and employees to the corporation and to each other. As such, CG denotes the unified set of external regulations and internal regulations where concerns like leadership structures, the size of the board, and the independence and dependence of the chief executive officer (CEO) are defined, assuming boards influence the performance and strategic directions of the companies they govern (Azid, Asutay, & Burki, 2007; Beekun et al., 1998). The subsequent sections detail about CG and its importance in the governance of organisations.

Baysinger and Hoskison (1990) shared that CG deals with a connected set of internal and external regulations. As noted by Kaplan and Norton (2000), governance matters in an organisation focus on issues related to leadership and board size since the board have a significant influence on the strategies implemented within an organisation. Beekun et al. (1998) also noted that when assessing the internal control processes which are limited to company management, while external control reflects on matters related to connecting a company to important stakeholders and giving an organisation a sense of legitimacy. Beekun et al. (1998) also attempted to define CG, which has been argued to provide the most appropriate definition by highlighting the overall objective that the governance board plays within an organisation (Azid, Asutay, & Burki, 2007). Specifically, the research pointed out that the governance approach is not attributed to only issues related to business operations in a company. Instead, governance entails giving an overall direction of an organisation with a focus on controlling and overseeing the executive actions which the management undertake, while on the other side aspiring to meet genuine outlooks of regulation and accountability by interests besides the company boundaries. The next section provides an introduction on the main issues which are examined and assessed in this chapter.

2.2. Introduction

CG is among the key components of corporations. For many years, scholars and other stakeholders have maintained a heated discourse regarding CG, largely due to the fact that recent years have seen many companies go down, because of poor CG. As it stands, there is no consensus regarding what constitutes CG; hence, no common definition for the term. This is attributable to the actuality that people have variant comprehensions of the objectives of corporations in connection to variant frameworks of CG and a plethora of economic systems that have variant compositions. Therefore, CG has been able to attract various definitions, depending on the context within which it is being defined.

Iqbal and Mirakhor (2004) maintain that the rising focus on the study and discourse surrounding CG is down to the upsurge in the number of institutional investors, loopholes in the shareholder framework of CG, a departure from the stakeholder value framework, and globalisation. This chapter investigates all these aspects, which allows it to advance a theoretical building block of CG that will allow for the adoption of a more accommodating view of CG. Thus, one could argue that it attempts to provide a definition that covers all the bases, and one that would be supported by a wide array of scholar classes, at least when exploring the financial service institutions. The discourse entails a highlight of the CG framework, institutions, mechanisms, models, and conceptual definition. Therefore, the objective is to cultivate a rudimentary comprehension of CG in mainstream scholarly work, to facilitate the development of a perception of CG inside the Islamic institutions.

2.3. Conceptual Definition

CG, as an independent discipline of study, is relatively new and has evolved considerably over the years (Azid, Asutay, & Burki, 2007; Cadbury 1999). There are multiple descriptions of the term CG, with many stakeholders failing to strike an agreement as to what should universally constitute CG. However, integrating the various schools of thought of CG gives rise to a couple of major descriptions, including the one contained in the subsequent sections of this chapter, which define governance, corporations, CG in financial services and CG in general (Bhatti & Bhatti, 2010). The Oxford Dictionary defines a corporation as a contingent of natural persons with the legal mandate to operate as one institution (Bhatti & Bhatti, 2010). Similarly, the American Heritage Dictionary defines a corporation as an enterprise that personifies its powers and rights, within the law, distinct to those of people who constitute it (Bhatti & Bhatti, 2010). The Blacks'

Law Dictionary, on the other hand, characterises a corporation as an artificial person developed by the laws or mandate of a country (Bhatti & Bhatti, 2010). Therefore, one can define a corporation as an enterprise that exists distinctly from those that constitute it, personifying rights independent to the natural persons that constitute it.

Looking at the definition of governance, it draws from the Latin term, *gubernare.* This refers to leading or steering, as per observations in Cadbury (2002). Other definitions of the term governance associate it with the Greek term *kybernan*, personifying the same meaning as the term outlined in Cadbury (2002). Merging the two terms, one could say that CG denotes to the process of steering an artificial person. This is attainable by establishing a consistent system of leadership that draws its power from the law or authority that is responsible for establishing the corporation (Azid, Asutay, & Burki, 2007). The Oxford English Dictionary expands on the definition of these terms further, indicating that the term governance refers to the process or technique of governing (Bhatti & Bhatti, 2010). Looking at all these definitions, one could say that there are various meanings for the term governance, given that it can be used in many aspects of life. Chief among these aspects is public administration, politics, social justice, and economics. Alternatively, the term governance refers to the technique and philosophy on the way that an artificial person is overseen.

Integrating the variant definitions of CG above, one can then split the meaning of CG into two perspectives, i.e., an expansive perspective and a narrow perspective (Bhatti & Bhatti, 2010). The narrow perspective stands for an institutionalised accountability framework between shareholders through the BODs and the management team of an organisation (Azid, Asutay, & Burki, 2007). The expansive perspective implies the complete system of informal and formal interconnections between stakeholders of an organisation, with some of the chief stakeholders being employees, the community, management, environment, and shareholders.

2.3.1. Defining CG

The definitions above tend to cover the concept of CG in a broad business sense, which makes it essential to narrow it further in order to gain a proper look of the thought in the financial sector context. In the financial services sector, CG, as a term and as an act, operates within an environment with distinct features and circumstances (Azid, Asutay, & Burki, 2007). As a result, gaining a proper understanding of CG in this sector requires going a bit deeper, with the unique features and characteristics in mind. According to OECD (2004), CG refers to a collection of relationships existing amongst company management, its shareholders, the BOD, and parties with close interest with the organisation under consideration. While this definition acknowledges components of both the expansive and narrow views of CG, it does not provide a school of thought that can be exclusively applied in the financial services sector (Bhatti & Bhatti, 2010).

A more compelling and industry-focused definition has been proposed by the Basel Committee for Banking Supervision (BCBS), which defines CG when considering the finance industry as the way that the financial industry is governed in line with the claims of the stakeholders, regulations, and laws that surround its business environment. Thus, one could say that BCBS (2009) provides a more specific and comprehensive view of CG in the financial services sector. According to Azid, Asutay, and Burki (2007), this definition covers the responsibility of the authority to all stakeholder groups, which includes depositors, suppliers, employees, government, supervisors, and the community. Bhatti and Bhatti (2010) further shed more light by creating a comprehensive definition of CG in the banking services sector by highlighting the significance of affirming that investment and capital returns are monitored, as well as installing safeguards to protect depositors (Bhatti & Bhatti, 2010). With this in mind, it is imperative to note that financial institutions operate within a tougher regulatory environment, in comparison to other types of business.

2.3.2. Role of CG in the Banking Sector

As indicated earlier, discourse regarding CG has been on the rise in the past three decades due to the increase in cases related to bank failures or mismanagement largely because of CG mistakes, as well as an upsurge in the loopholes identifiable in the stakeholder model. Looking at the aspects that cause stakeholders to be concerned with the CG system in place, it is safe to say that the fundamental purpose of CG is to minimise agency costs (Azid, Asutay, & Burki, 2007). This is a responsibility that fits well into the United States' view of CG, where agency costs could rise substantially because of the rise of mergers and conglomerates. From here, the role of CG grows exponentially to encompass aspects such as monitoring systems that management has put in place to generate returns from the input of shareholders. This is a notion advanced by Macey (2004). Scott (2003) supports this position, explaining that the goal of CG, and the overall framework adopted by countries for this practice, is to create regulations and forge behaviour that will ensure that the economic potential of an organisation is realised.

Shifting the focus back to the financial services industry, Claessens (2003) views CG as an integral component of firm governance, especially in measuring the performance of a financial institution. The study observes that CG can influence the capacity by a firm to operate by determining how well it can source resources from lenders, reduce the cost of capital, promote internal performance, and reduce the risk that they face. Claessens (2003) also maintains that CG influences the way that an entity relates to its stakeholders, an aspect that shows it is an integral component for those that are looking to succeed in the financial sector. With this point of view in mind, one could argue that a proper CG structure will intensify the efficiency of a financial institution, culminating into better output, lower agency costs and better control of the relationship between the BODs and management.

Another area where CG comes in handy is in the realisation of accountability, transparency, and fairness, a view advanced by Wolfenson (1999). This study observes that CG demands financial institutions to become transparent and observe principles of fairness, not only when dealing with shareholders, but all stakeholders of the institution (Bhatti & Bhatti, 2010). The pursuit for greater accountability within the corporate ranks through CG helps to create organisations that can serve stakeholders for longer while growing in a manner that reduces prospects of unsustainability. Besides, Grais and Pellegrini (2006) find that a firm that is accountable, transparent, and fair can exude a greater level of efficiency, in comparison to one that does not personify these virtues. Thus, one could argue that the roles of CG integrate well with each other to promote the formation of financial entities that can serve stakeholders and withstand the test of time.

Bringing everything together, CG is a critical cog in the functioning of financial institutions. It helps to ensure that financial institutions can meet the goals that they set for themselves. In this particular sector, it plays an important role in setting up roles that companies should operate within, creating an atmosphere that promotes virtues such as accountability, fairness, and transparency (Azid, Asutay, & Burki, 2007). By personifying these virtues, companies are able to put themselves in a position where they can achieve the highest level of economic efficiency.

Furthermore, promoting positive behaviour among those that are responsible for leading the organisation is crucial for facilitating longevity. The financial services sector is an intricate business context to navigate due to the presence of tighter rules and a wider stakeholder cohort, an aspect that expands the coverage of CG in firms that operate in this industry. More so, it increases the importance of CG to these institutions.

2.4.1. The Anglo-Saxon Model

This is arguably the most prevalent CG system in the world. The Anglo-Saxon model deploys the agent and the principal framework. In elaboration, the agent, in this case, include the management who are tasked with running the company on behalf of the principal, who are the owners of the organisation. This is a very common approach to CG across the world and widely applied in Europe, the United States and Asia. In fact, its prevalence in the two countries has seen wide adoption around the world. It has also grown popular with the rise of the stock market, where prospective shareholders can go to buy a stake of a company that they do not even have access to, in terms of operation (Azid, Asutay, & Burki, 2007). However, the management continues to run the organisation on their behalf. This model is influential for firms that operate in countries that support this approach to CG, and it is the main goal to generate as much profit as possible for the shareholders.

While CG is a subject of intense discussion over the years, discourse on the model of CG deployed by a particular jurisdiction or organisation remains weak. For instance, the discussion on CG gains traction in the 1970s when the agency theory comes to being, as per observations by Lazonick and O'Sullivan (2004). The agency theory introduces the notion that the essence of CG is to maximise shareholder value (Bhatti & Bhatti, 2010). Furthermore, this theory advances the idea that the installation of BODs is to create an authority within the corporate ranks that will assure the pursuit of shareholder interests (Azid, Asutay, & Burki, 2007).

According to Farag, Mallin, and Ow-Yong (2014), the agency theory presents an important upside to CG because it pinpoints a connection where one group assigns roles to another, i.e., shareholders assign roles to the BODs and management. This way, the shareholder, through the stewardship of the management and the oversight role of the BODs, can reap the reward from their investment. Therefore, looking at CG from the view of the agency theory, it can be pointed out that the BODs are integral to the realisation of the basic function of CG. Farag, Mallin, and Ow-Yong (2014) indicate that there are likely to be problems between the principle and the agent in this relationship. It is at this point that the BODs come in to smoothen the rough edges by ensuring top management serves the shareholder interests. Therefore, through this CG model, firms can attain low agency costs through the promotion of efficient corporate practices that have the shareholders' interests at heart. Cernat (2004) resorts to provide an even deeper description of the Anglo-Saxon model, showing that shareholders have access to their organisation through the management and the BODs; hence, ensuring that employees undertake their responsibilities in the desired manner.

Miller (2004) reinforces the notions articulated by the agency theory, arguing that the fundamental goal of CG under the Anglo-Saxon model is ensuring that shareholder interests are advanced and their rights within the corporation respected. Under this model, the value of the shareholder gets to increase, because of the safeguards that are in place to inform and monitor the behaviour of those that have been put in charge of the organisation. Thus, the main aspect here is that each party is motivated by a mutual desire to make a profit, an aspect that ensures all the relevant stakeholder to the firm are happy. For instance, in the spirit of remaining relevant in the market and make profits, the company will generate products that satisfy the consumer. Once the consumer is satisfied, they will keep paying for services and products, an aspect that increases shareholder value by generating more profits for the organisation.

2.4.2. The European Model

Yamak and Suer (2005) outlined a wide array of challenges experienced by the CG model, and they manage to point out some inherent problems with the shareholder value framework, i.e., the Anglo-Saxon model. Macey and Miller (2004) support some of the challenges outlined in the study above, perceiving the shareholder value-based system as flawed, because of some agency problems that arise from the deployment of the way of thinking inherent to the Anglo-Saxon model. These concerns have led to the rise of a contemporary way of thinking that addresses some of the challenges identified in Berle and Means (1932). The stakeholder theory adequately captures this transition in a model of CG that focuses on more than maximising the value that shareholders draw from an enterprise.

The European model personifies a distinct view of CG that focuses on the stakeholder model. Here, one can say that the scope of focus of CG increases substantially to include a wider stakeholder cohort. According to Clarkson (1995), all stakeholder groups have a claim on the organisation and personify an internal demand for value from the organisation. As a result, attaining balance across the board in terms of meeting stakeholder needs is essential for optimal corporate performance. As a result, focusing on the interests and value of a singular stakeholder group alone is not enough to attain the goals of CG. Instead, the organisation has to look at how it will be able to maximise value for all the stakeholder groups that have a claim on the organisation. Yamak and Suer (2005) support this point of view, arguing that the efficiency of this approach to CG is evident in the many companies that have chosen to take an ethical approach in their dealings, an aspect that has culminated to greater corporate success (Bhatti & Bhatti, 2010). For instance, the capability to work towards achieving the interests of every stakeholder group enables companies to cultivate trust and sustainable relations within the value chain, which helps to increase profitability. Similarly, Donaldson and Preston (1995) shared that such an approach works in a way that ensures there is a reduction of capital and credit costs, because of the positive ties that the organisation is able to establish across the business environment.

A comprehensive review of the stakeholder theory shows that it is against the notions advanced by the shareholder value. Most importantly, it refutes the establishment of a CG system that focuses on the claim of a single stakeholder group. Therefore, the stakeholder theory expands the mandate of the managers' fiduciary duty in addition to that of the BODs to cover all the relevant parties attached to the company. Besides, the corporation should outline goals and objectives that seek to serve stakeholder interests that have a claim and inherent value towards. Farag, Mallin, and Ow-Yong (2014) supports this point of view, arguing that optimal CG is one that can look at a wider group of stakeholders, not just shareholders. He makes this view on the back of the fact that modern corporations have grown exponentially, and stand a chance to influence a larger group of people, not just shareholders. Thus, it will be against the basic virtue of fairness to create enterprises that solely focus on maximising shareholder value. Freeman (1984), who is responsible for coining the stakeholder theory, observes that variant groups of people usually have legitimate claims on the company's existence. Among these stakeholder groups are suppliers, customers, creditors, and contractors. Thus, cultivating an organisation that only approves a profit-oriented behaviour undermines the prospect of addressing the claims of these groups of people.

Iqbal and Mirakhor (2004) argue that based on the CG framework, the European model suggests an intricate CG system, far much more distinct from the one that emerges in Europe and North America. In this CG framework, there is an additional SB that is distinct from the BODs, as well as a distinct management board that comprises of executive members only. According to Dignam and Galanis (2009), this model creates a CG framework that is highly distinct when compared to the one which is presented in the Anglo-Saxon model, because of the emphasis that it places on creating an organisation that considers a wider stakeholder cohort. An area where this approach to CG excels is in Germany. Much of this is attributable to the fact that German society views corporations as components of the social and economic framework of society. The Anglo-Saxon model, on the other hand, emerges and thrives in market-based societies, where corporations are viewed as components of the economic system alone. This is the reason the CG systems that emerge from the two regions vary, with the system that emerges in Germany creating a CG structure that is responsive to a wider stakeholder collection (Azid, Asutay, & Burki, 2007).

A deeper look at the European model shows that the model introduces an SB. According to Dignam and Galanis (2009), the SB usually consists of stakeholders from the external environment, who represent different interests. In some cases, the board consists of work council liaisons, trade union representatives, and shareholders. Under this system, the board consisting of executive members, i.e., the management board, have a duty towards the interests that the stakeholders represented in the SB have, and it is the responsibility of this additional board to ensure that they always satisfy this responsibility. Schilling (2001) ties up the discussion by indicating that the essence of having SSBs under the European model is to ensure that the needs and claims of other stakeholders are represented at the organisation, not just those of the shareholders.

2.4.3. Variations between the European and the Anglo-Saxon Models

The European and Anglo-Saxon models personify several similarities, but also major differences. While the differences are the focus of this section, it is imperative to look at areas where the two systems converge. First, they all believe in installing a management oversight author that ensures the operation practices undertaken by agents satisfies the needs of stakeholders placed outside the organisation. In the case of the Anglo-Saxon model, the BODs serve as an oversight framework that ensures the management does not undermine shareholder rights and interests. The SB, under the European model, does push the organisation towards addressing the needs of additional stakeholder groups, such as suppliers and customers. The second and final convergence between the two models is that they create an organisation that is subject to the external environment, i.e., they lead to the formation of entities that must tweak their internal models to meet demands that emanate from the external environment, a point well advanced by Schilling (2001).

Focusing on the differences, they largely build on the ideological variations between the regions where both models emanate from. This leads to the rise in differing notions in terms of how the corporation is owned and controlled. While the Anglo-Saxon model would like the control of the organisation to be built around maximisation of shareholder wealth, the European model would like control to be built around the fair and collective representation of all stakeholder groups. According to Schilling (2001), the two models assign priorities to shareholders differently, an aspect that leads to very different approaches to CG. Because of this, Bhatti and Bhatti (2010) view the European model of CG as one that has multiple points of stakeholder contact. In that, this model pushes organisations to connect with a wider array of stakeholder groups, not just shareholders. Through the SB, the organisation can bring in trade unions, employee monitoring entities, in addition to different stakeholders in the CG process (Bhatti & Bhatti, 2010). However, this is not the case where the shareholders are the primary focus of interest when one explores the Anglo-Saxon model.

Despite these notable differences, Kraakman et al. (2004) maintain that drawing a tangible line between these CG systems in practice is difficult, despite the differences that manifest in theory. OECD (2004) encourages the integration of both the agency and shareholder systems to realise far more efficient organisations. According to the insights shared by Macey and O'Hara (2001), these perceptions are correct in that the BODs need to expand the scope of focus of their oversight responsibility by focusing on more stakeholder groups, not just the shareholders.

2.5. Primary Participants in the CG Financial Sector

When assessing the banking industry, the primary participants in the CG environment have been grouped either into external or internal players. On the one hand, the literature has identified internal key participants into four main groups (Salacuse, 2003). They include the depositors, the shareholders, the managers, and the SB or BOD (Salacuse, 2003). On the other hand, the external key participants are used to refer to government regulatory bodies, the court, and the stock markets which play an imperative part in ensuring that financial institutions observe to government rules (Salacuse, 2003). Importantly, the institutions play unique roles in the financial corporations where the central purpose is to advance the rights and welfare of the stakeholders and the shareholders. A summary of the CG style and structure has been presented in Figure 1. According to Figure 1, the structure combines the European and the Anglo-Saxon models and that the only difference which exists between the two models is the corporate goals or objectives and the SB.

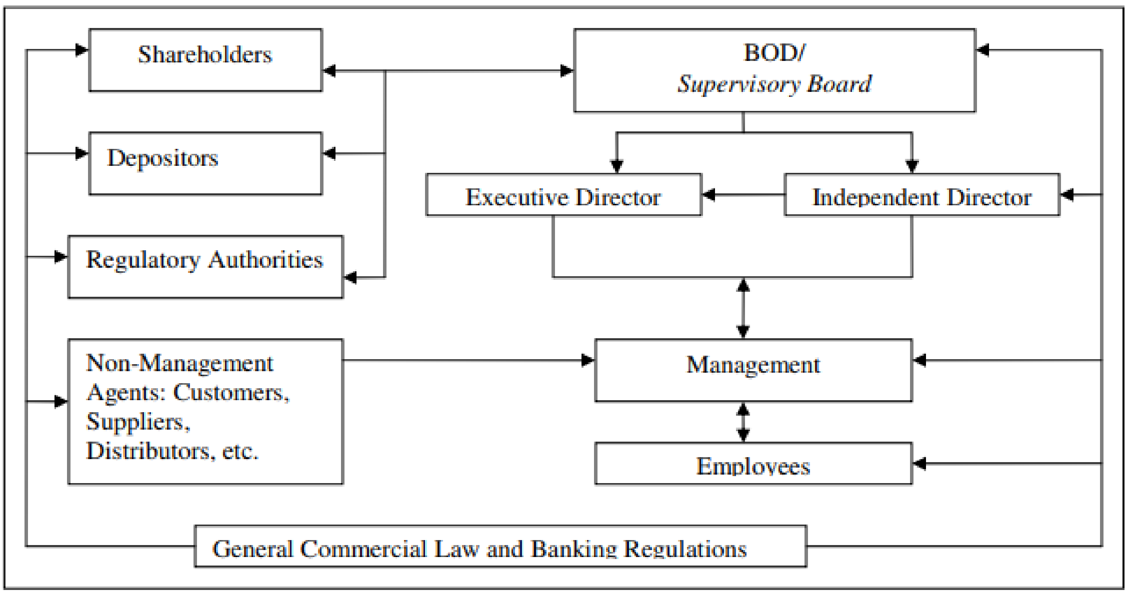

Figure 1: An illustration of a CG structure in the banking sector (Source: Nienhaus, 2007: 129; Choudhury & Hoque, 2004: 86).

2.5.1. Internal Key Participants

2.5.1.1 Board of Directors

The BODs have been noted throughout the CG to be central key participants. A major debatable issue in the scholarly and practitioner literature has concentrated on identifying the purpose of BOD in the CG framework. According to the Cadbury Report (2002), the primary function of the BOD is to define the purpose of an organisation, create strategies, plan for the objective, establish company policies, appoint the CEO and other management, and examine the performance of the management team. The role played by the BOD has been divided into five primary functions, according to Nathan and Ribiere (2007). That is: (i) being independent thinkers and working to shape the strategic direction of a bank, (ii) monitors and influences strategies as opposed to implementing strategic choices, (iii) guides the top management as opposed to creating the actual strategy, (iv) provides strategic alternatives and advice, management team, and (v) monitors strategy implementation, advises the CEO, and establishes standards (Nathan & Ribiere, 2007).

Within the financial industry, the BOD serves an essential part in the internal control mechanisms where they protect the stakeholder and shareholder interests. Salacuse (2003) pointed out that the BOD has a strong part to play when taking CG into consideration. As such, this explains the reason board members must possess high moral standards and be technically qualified to play their role. The literature identifies different duties which the BOD plays in the corporate sector. Some of these important roles include supervising and monitoring the performance of a company, framing specific company policies, and developing and initiating the business goals and objectives. Nathan and Ribiere (2007) agree that the main function of the board creates the company's objectives and aims in addition to making sure that every objective that has been created is realised. Therefore, it is the main function of the BOD to create policies and plans to achieve the very aims, in addition to monitoring and appointing the specific management team that would work towards the realisation of the set objectives.

2.5.1.2 Supervisory Board

Although there is only one BOD model in the Anglo-Saxon framework, some European countries that emphasise the importance of stakeholders demand a two-tiered BOD framework. In elaboration, this two-tiered structure includes both the management board members and the SB. The management board includes members of the organisation, while the SB includes members of the non-executive branch largely appointed through employee elections or shareholder elections (Cadbury, 2002). In efforts aimed at improving accountability and ensuring the corporation adheres to governance regulations, the SB is empowered to appoint the management board. According to Weil and Manges (2002), the two-tier system has a clear and recognised distinction between the SB and the members being monitored and managed.

2.5.1.3 Managers

Third, managers also form a significant segment of the key participants in every financial institution. The management team largely denotes the CEO and other members who are enrolled in performing management functions. In most cases, the managers are accountable and responsible before the BOD since the managers and the CEO are appointed by the directors. Considering that the decision-making quality relies on the quality, relevance, and volume of gathered information, the executive members and the CEO are responsible for availing the relevant data before the BOD. According to the stakeholders' model, managers have fiduciary responsibilities not only to the shareholders but to every party with interest within a given organisation, including the public and the community (Nathan & Ribiere, 2007).

2.5.1.4 Shareholders and Depositors

Fourth, the depositors and shareholders are also key participants in the financial sector both in the European and Anglo-Saxon models of CG. However, in the Anglo-Saxon framework, the direct participation of the shareholders is limited to electing the directors while in the European model their role is to elect the SB and the directors (Salacuse, 2003). Salacuse (2003) also shares that the shareholders approve some processes such as decisions on mergers and acquisitions. In Germany, the European model of CG largely emphasises on the need for wider stakeholder views and interests to create strong partnerships between employees and employers in addition to amongst shareholders (Dignam & Galanis, 2009). In the process, employees influence whom they can elect into the board to represent them. In comparison, the Anglo-Saxon model of CG stipulates that shareholders elect the board members in efforts to defend the interest of owners via strong legal actions than in the European model.

Dignam and Galanis (2009) observed that in the traditional financial sector, the depositors were not strongly incorporated at the core of CG. Similarly, the depositors whose interests are at stake in the financial and banking sector rarely get attention either in the European model or in the Anglo-Saxon model. One of the reasons is that the depositors are often insured based on some level of a positive rate of return. In addition, Cull et al. (20045) added that the depositors also have some guarantee which is hoped to lessen their exposure to loses in the case of system failure in efforts to stabilise the financial system. Thus, most conventional models of CG in the financial industry have not dealt with the interests of the depositors in-depth. Instead, Chapra and Ahmed (2002) elaborate that the financial sector has largely focused on working and protecting the interests of the shareholders who are noted to have invested their wealth in the company, and not the depositors who have already been guaranteed their returns.

2.5.2. External Key Participants

Important members of the external participants include institutions which influence and support CG within banks such as regulatory bodies, government agencies, and the judiciary. Caprio and Levine (2002) indicated that the government creates a legal and regulatory framework to manage corporations and influence managerial choices. Regulatory entities give sound guidelines for banks and create internal control, monitor all banking operations, risk management processes, and create internal controls. When considering regulations and laws, every institution of CG must comply and adhere to rules propagated by regulatory or legislative agencies, while the judiciary enforces the remedies of violating the promulgated corporate rules (Dignam & Galanis, 2009).

2.6. Board Characteristics

The current section presents and elaborates of different functions and antecedents of the boards. Findings from the literature show that the success of a board can be influenced by various factors. These factors include the independence of a board, board capital, leadership structure, and its size.

2.6.1. Board Size

The size of a board refers to its structure, and it ranges from a small board of five members to a large board of 30 or more members (Daily & Dalton, 1992). Over the years, the literature has revealed that the average board size is about 12 to 14 members large. However, the size of a board can increases when critical resources and expertise of an organisation is increased (Pfeffer, 1973). The presence of a large board prevents the CEO from taking actions which are not aligned to shareholder interests. However, a large board may hinder strategic actions and initiatives, further resulting in unproductive interactions (O'Reilly et al., 1989). In contrast, a small board has the capacity to adapt and execute effective control since there is increased social cohesion and participation (Muth & Donaldson, 1998).

2.6.2. Board Leadership Structure

The role duality of a CEO in terms of holding both the Chairperson and CEO positions in an organisation affects board structure. Studies show that the ability of a chairperson includes the capacity to devote time to run a board, willingness to play behind the scenes, and informed about the industry (Weir & Laing, 2001). In addition, the chairperson ensures the directors have the needed information and facilitates efficient communication with shareholders. In addition, the CEOs run daily management issues in the company in addition to implementing board decisions. Agency theorists argue that the CEO and Chairperson roles need to be separate jobs since performance can be improved when the board is able to better monitor the CEO. There are concerns that when a company merges the CEO and Chairperson position, more power is concentrated in a single person who can make decisions that fail to optimize shareholder wealth (Mallete & Fowell, 1992). Thus, separating the two roles can help in avoiding conflict of interest between management and company constituencies, since the board leadership structure has a greater ability to govern.

Rechner and Dalton (1991) observed that role duality raises conflict as an individual who serves both as a CEO and as a chairperson may fall into conflict-related with the two positions. In the process, it may become possible for the same individual to avoid critical assessment and evaluation of the unique tasks in both offices and favour an approach which is in line with personal believes. In the end, role duality may contribute to a situation where two unique positions are merged and run as a single unit without critical input during decision-making processes. Weir and Laing (2001) expressed similar concerns and noted that the same person may be unable to juggle between the demands of the two positions especially in terms of devoting their time to learn about the marketing environment, take part in strategy formulation, run and organise the board, and address diverse matters arising from both inside and outside the organisation. Another aspect is that the chairperson needs to make sure that the directors have every needed information that is required and that there is appropriate communication in place with every shareholder (Johannisson & Huse, 2000). Lastly, the literature also focuses on the need to explore the BODs and the members of the board, managers, and the committees in efforts to define the relations that exist between the top executives and other subordinate corporate members.

On their part, the CEOs play an important part in ensuring that the company is managed in a suitable manner, in terms of the daily running of its activities, in addition to ensuring that the decisions of the BODs are implemented. Harrison et al. (1988) expressed that when an individual serve as a chairperson and as a CEO within the same corporation, they tend to acquire a dominant stature and influence among the other members of the board and executive. As noted previously, such a new aspect can have some negative outcomes according to Beatty and Zajac (1994), who pointed out that the role duality can hamper the monitoring capacity of the BODs. Harris and Helfat (1998) advocated the need for separate roles and duties when the chairperson and CEO jobs are taken into consideration, in a framework which is related to the principles of agent theory. According to Mallete and Fowell (1992), one of the key aspects, why the critics advocate for the separation of the two roles, is tied to the fears that are concentrating the two roles to a single individual may affect the positive impacts of creating positive decisions which may negatively affect any prospects of maximising shareholder returns. As pointed out by the OECD (2004) separating the chairperson and the CEO roles is considered a positive move in the financial sector in terms of addressing potential conflict of interest, which may emerge between management and corporate constituencies. Therefore, separating the two roles will not only result to a more independent board, but it will also contribute to a well enhanced and improved environment in terms of the board of director's capacity to govern and check the operations of the CEO and those of the chairperson.

2.6.3. Board Capital

The board capital denotes the capital that board members bring to an organisation. The capital can either be social or human in nature. Lester et al. (2008) noted that the capital includes resources directors bring to the company such as skills, reputation, knowledge, experience, and expertise. Human capital also includes capabilities, acquired skills, and knowledge. Hillman and Dalziel (2003) define social capital as a relational capital, cognitive, and structural. Structural capital includes networks of relations, and relational capital includes the types of personal relations people possess through historical interactions within the company. Social capital defines resources that give shared systems, interpretations, and representations (Hillman & Dalziel, 2003).

Therefore, any form of capital that the board members bring to the organisation is of paramount importance to the success and growth of the organisation. As noted previously, understanding the two types of capital (social and human capital) goes a long way in helping determine the key aspects that can contribute to the success of failure of a board in its operations. Researchers such as Hillman et al. (2007) and Hillman and Dalziel (2003) have also referred to social capital as relational capital. In contrast, the term relational has been used in different ad manner by Lester et al. (2008) since they use the term to describe it as part of the three dimensions of social capital, where the remaining two dimensions often denote the structural and cognitive functions. In addition, the researchers advance the topic and elaborate that structural is used to imply the characteristics of social systems and the interconnected networks, which result from all the relations (Bazerman & Schoorman, 1983). In comparison, relational is used to create an understanding of the specific personal associations that individuals have created with each other, mostly drawn from past engagements (Pfeffer & Salancik, 1978). In this study, the term board capital is used to denote the social and human capital that members bring into the organisation.

Nonetheless, it is critical to share that Pfeffer and Salancik (1978) elaborated about the four benefits under precise circumstances where the director of a corporation has networked with other organisations. First, one of the four benefits are associated with the board capital, and it is about the provision of counsel and advises, which every director facilitates via their expertise, experience, and knowledge. For example, Baysinger and Butler (1985) identified up to 13 unique groups of directors and reported the diverse nature which exists within a single board where every director brings unique skills to the organisation. Some of the important skills identified from the 13 categories include top company management, former government officials, financial players, lawyers, and other companies and directors (Certo et al., 2001). Considering their diversity, Baysinger and Butler (1985) noted that each of these units could offer suitable counsel and advice by applying their sophisticated knowledge to company operations.

Second, the literature also identifies another benefit that directors bring into an organisation and this benefit is closely tied to their board capital which is reputation (Bazerman & Schoorman, 1983), and legitimacy (Galaskiewicz, 1985). Galaskiewicz (1985) shared that a key inter-organisational strategy that can be used to improve workplace legitimacy in the board is to ensure that a corporation is in a position to identify with legitimate power figures and cultural symbols in the environment within its operations. A key approach by which this can be attained is by recruiting prestigious individuals into the corporation's BODs. Therefore, reputation and legitimacy become a key benefit when the right individuals who hold prominence and importance are identified with a certain corporation, which serves to ensure trust and confidentiality among the shareholders and other stakeholders.

Third, the board capital also brings another important benefit to a company as it creates a reliable avenue for information and communication between the company and external corporations. The focus is attained in the company with the help of the director's external links, which are central elements of the social capital. In most cases, Bazerman and Schoorman (1983) highlight that the external ties come into play because of the multiple appointments which have been identified in terms of the various corporations, which are broadly discussed in the literature in terms of interlocking executives. Fourth, the board capital is also important in terms of assisting in the access to important resources from the external environment into the company (Baysinger & Butler, 1985). D'Aveni (1990) shared that this influence in the form of political bodies, financial capital, and other stakeholder groups serve to enhance the position of the company which in turn means that the market share and its competitiveness would grow over time. Pfeffer (1972) further indicated that board capital serves the sustainability role in a corporation by ensuring the long-term success of company operations which adhere to the needs of the shareholders and help eliminate the potential conflict between the agent and the principal as discussed under the agency theory.

Based on the discussions which have been presented in this section, it appears there is a strong relationship between board capital and resource functions. The provision between the two is clear and remains elaborate because when the board capital is high, then there is a growing likelihood that the resources which are provided to an organisation are also likely to increase.

Further, the literature argues that the primary focus of research on this relationship has been limited to incentives (such as the compensation a direct receives) as one of the main antecedents of the monitoring function. The expertise and knowledge of the directors from past experience in other corporations, or from their recent appointments in various boards can result in effective monitoring processes (Carpenter & Westphal, 2001). Thus, based on the insights which have been well articulated in this section, it can be noted that board capital can be anticipated to have positive impacts on the board in terms of its corporate mandate.

2.6.4. Board Independence

An independent board has more members from outside the organisation while a less independent board has more inside members. Inside members include employees of a company, serving managers, and top executives. In contrast, outside members of the board include persons not working within the company. The independence of a board may not be achieved if the member has been an employee, had business relations with the company, received remunerations from the company as director fee, and has family members at top company positions (Johannisson & Huse, 2000). The literature reveals that a high independent board is needed to bring about diverse ideas into the boardroom. In the process, an independent board is able to protect shareholder interest in line with agency theory compared to a less independent board where top leaders may be less monitored (Hillman et al., 2009).

Concerns about board independence also emerge when assessing the status and condition of directors who come from outside the company. In this case, such external directors can be said to be independent, but only when they satisfy a diverse criterion, otherwise they would be labelled as being affiliated with the corporation (Hillman et al., 2009). The past literature has explored and examined such a criterion in detail to show aspects that can be used to define the directors based on various recommendations, laws, codes, and company governance practices. Thus, the status of independence in a company is considered not to have been achieved if the director:

a). Was previously employed in the company and that the tenure of their last employment in the company falls within the last 5 years.

b). Has or had in the last 3 years been involved in material business transactions with the company in question.

c). The payment received from the company is largely or solely based on the performance record.

d). Has been shown to have close family connections with the advisors in the company, senior employees, or the directors.

e). Shows to have had significant links or cross directorships with other directors via their involvement with the other firms or agencies (Johannisson & Huse, 2000),

f). He or she is identified as being a significant shareholder with the company, or

g). has been shown to have served on the board of the company for a period of more than nine years in the past.

Over the years, the issue of board independence has been substantially extrapolated in the literature and went on to attract research interest among regulatory bodies, professionals, and scholars. The increased level of freedom has been informed by the perception that an independent board is essential for company success because it promotes and advances diverse attributes within the company boardroom (Hillman et al., 2009). The primary objective of the BODs is to protect the interest of the shareholders and in line with agency theory which was earlier discussed, the key role the board plays is monitoring the decision and management process of an organisation. Dalton et al. (1998) have argued that outside directors may be suitably positioned to fulfil the role of controlling organisational processes, especially when not burdened by professional and/or personal relationships with the company or the company's management (Dalton et al., 1998).

Besides the agency theory and the important role that having independent directors play in the company, Hillman et al. (2009) pointed out that the appointment of external directors into the board can be an important aspect in terms of achieving the provision of important resources. Further, the researchers share that by differentiating affiliated groups from independent directors, the external members with personal connection such as family links with the company's management may be less effective in terms of their resource expertise, counsel, and dependence roles compared to the external members of the board who do not have a similar relationship (Daily & Dalton, 1994).

Based on the above deliberations, it becomes clear that the independence of the BODs has close preferences to issues of the independent boards (Boyd, 1994). There is a growing focus on the fact that key positions that are largely traced in academic literature, codes of conduct, and CG practices (Johannisson & Huse, 2000; Hillman & Dalziel, 2003). Similar observations have also been stressed in the literature where more focus has been anchored on corporations which are able to create board independence by finding a balance of internal and external directors in line with the objectives of the company. Even so, the presence of inside directors in a company is also supported because they play a key part in the effectiveness of an organisation. Similar deliberations have also been shared by Baysinger and Hoskisson (1990) who shared that external directors prefer to maintain a subjective and open relationship with the company's top management team, an approach that might result into inadequate quality and amount of information upon which such relationships need to be founded. Having internal directors offers approaches that are key to overcoming the burden of information processing which in turn works to improved he effectiveness of decision-making process during board meetings and running the organisation (Baysinger & Hoskisson, 1990).

Finally, another argument which has been used to support the insider dominance has been proposed by Zahra and Pearce (1989). The researchers support the fact that outside directors in a company might not have in their possession the required expertise and time to execute all their jobs fully. In the process, it would be fundamental to carry out additional research and examination of the composition which the boards are made of to evaluate whether there is an effective balance between external and internal members in the board composition, and how the ratio of this composition might influence the board's independence.

2.6.5. The Importance of Boards in CG

Understanding corporate boards necessitates the need to understand the duties of corporate directors. Also, there is a need to understand what directors should do in a company and distinguishing it from what they do. The legal obligation imposed by corporate law influences what they can do in addition to fiduciary duties (Adams et al., 2010). Adams et al. (2010) noted that this distinction was important to identify what needs to be followed in practice and its significance. Generally, it can be noted that the BOD is the composition of the highest organisational performance agenda to ensure executives engage in a way that meets shareholder needs (Hillman and Dalziel, 2003). Moreover, most researchers have elaborated that the primary purpose of the board's existence is to assess, monitor, and reward management, in addition to voting vital corporate decisions in efforts to maximise shareholder value (Becht et al., 2003; Salmon, 1993).

2.7. Board Functions/Roles and Responsibility

The theories which have been discussed in the previous section are central to exploring and understanding the BOD tasks, functions, roles, and responsibilities. Based on the emerging theoretical framework from the discussed mainstream corporate governance theories, the current section discusses the different functions which boards play in line with the established literature resources. Despite the several literature discussions on the issue, there is a growing consensus that boards have important common roles such as the provision of resources and monitoring functions. These functions include control/monitoring board functions, service functions or provision of resources, and offer strategic direction.

Thus, it is important to examine the various board functions and understand how they are framed in the literature. A growing body of literature tends to reveal that the boards play a central part in influencing the success of corporations. Despite various terms and approaches have been shown to explore the state roles, there is a possibility that the role of boards includes ensuring effective resource monitoring and their provision to meet company needs. Furthermore, Forbes and Milliken (1999) argue that TMTs and BODs are all exposed to complex and multifaceted commitments that take into consideration strategic-issue evaluation and assessment. The researchers denoted these tasks as being within the service and control frameworks and can be closely matched with the provision and monitoring of functional resources, respectively. In the following subsections, the functions and roles of the boards are discussed in light of the past literature publications. The sections also try to combine the different terms and approaches that have been given in the past under the same functions as applies to control functions of boards, provision of services, and director responsibilities in directing strategic direction in the organisation.

2.7.1. Monitoring/ Control Function of Boards

The control and monitoring functions of the board are in line with the agency theory where the principals are separated from managers who make important decisions, although the two parties can potentially have divergent interests. According to Boyd (1994), the control role the board plays can be internal or external. The external control includes taking market-based approaches such as company failure, while internal control can be attained by recognizing agent's behaviour by investing in BOD, more layers of management, reporting procedures, and budget systems (Eisenhardt, 1989). Such mechanisms enable the board to monitor operations to protect the owners' interests by delegating most decisions on management functions (Fama & Jensen, 1983).

The literature is in consensus that the board plays an important part in monitoring the various organisational processes. The monitoring function has been closely tied to agency theory, which makes it the central theme for the BODs, as previously mentioned and discussed. Key to this function is the principle that companies tend to show agents and principals who are distinguished from the activities that a manager plays within the workplace (Fama & Jensen, 1983). In line with the agent dilemma, the interests, and objectives of the agents (managers) and principals (shareholders) may differ on one or several occasions. Considering this danger, it can be argued that when management and ownership create a gap, there is a need to have in place effective controls to bridge this gap and aspire to align the objectives of the owners and managers to maximise returns. Boyd (1994) shared that the internal control mechanism of a board is to bring into line the welfares of the managers and shareholders, where the BOD serves as a representative of the stakeholders.

In the process, the observation triggers the argument that a Bobsleds to embrace a monitoring role through close observation and assessment of the company's management to protect the interests of the owner. The notion has been elaborately shared and detailed by Fama and Jensen (1983), who stated that a board serves to delegate most of the decisions about management operations and duties within the company's operations. Also, the board serves in its capacity to delegate control aspects of its agents' functions, although it still serves the internal interests such as monitoring and ratifying company policies, in addition to recruiting the company agents and disciplining them (Fama & Jensen, 1983). The efforts which are played by the boards through monitoring and control helps to achieve stakeholder interests where the monitoring reduces any cases of malpractice contrary to shareholder interest, while controls serve to correct flaws that have been identified within the organisation. As such, the boards play a central role in ensuring the success of the organisation through their diverse monitoring and control roles.

2.7.2. Provision of Services/ Resources

The board is associated with top management teams (TMTs), where they have the main role in a company's control system. Nonetheless, Forbes and Milliken (1999) noted that boards only have a role in influencing and monitoring strategy and not in creating and implementing strategies.

Moreover, boards have a duty of monitoring how organisations are managed by overseeing the functions of the TMT members and those of the CEO. Hillman and Dalziel (2003) added that the activities of monitoring functions include monitoring strategy implementation, monitoring CEO, evaluating, and rewarding top managers/CEO, and planning CEO succession. In all, the board ensures the provision of service by ensuring the TMTs operating at the interest of the shareholders. The literature refers to this board function as monitoring (Boyd, 1990), while others call it a control function (Boyd, 1994; Pearce & Zahra, 1992).

By exploring and assessing the various definitions which have been discussed under the two terms of services and resources provision, it is clear to point out that at the conceptual basis, there is a variation in the two terms although they are used to confer similar meaning. For instance, the notion of control largely appears to derive important insights from the study undertaken by Fama and Jensen (1983). These scholars elaborated about the decision-making initiative to fall into four steps, which they outlined as monitoring, implementing, ratifying, and initiating. The researchers then shared that these four tasks are maximised when they are performed and executed by different organisational agents.

Precisely, the researchers pointed out that the initiation and implementation steps need to be categorised under the same management term when decisions are made. The researchers also added that the tasks emerging from the two processes need to be allocated to a single group of agents preferably the top management team in the organisation (Boyd, 1990). In contrast, monitoring and ratification steps need to be incorporated under the terms of management control and be assigned to diverse agents in the management teams, which is composed of the BODs. In this aspect, control processes incline on two steps of the decision initiative processes that include monitoring and ratification (Boyd, 1990). Thus, the primary part in management control is that case forms an important basis for evaluating the strategic direction that a company needs to follow.

Fama and Jensen (1993) further explain this concept by narrating the rights associated with the board's control decisions. Specifically, this includes obligations of hiring, disciplining, and compensating the top management teams and monitor and ratify essential decisions which have a direct impact on the company. Furthermore, evaluating this process shed more light to the fact that they incorporate the duty of regulating managers by exercising their mandate, in addition to the role of controlling their actions. In the same spirit, Forbes and Milliken (1999) used the term control to denote undertakings that incorporate choices that concern the process of hiring top managers, compensating them, and replacing the company's senior or top managers, in addition to exercising their control to approve or disapprove the main initiatives proposed by the top managers (Machold & Farquhar, 2013). Such an argument tends to be in line with the one that the researchers have when elaborating about the monitoring functions and its activities. As applies to this study, bother terms are used to refer to the same function when examining the functions and roles of the BODs (Dalton et al., 1998). The agreement is in line with findings which have been documented by other researchers who have used the two terms in their studies such as Pearce and Zahra (1991) and Machold and Farquhar (2013).

Irrespective of the above observations, there are some important observations that need to be taken into consideration. Although both terms have been extensively used under similar functions, the prominence of the two words (control and monitor) is different. Therefore, there are operations and terms better explained using monitoring, such as monitoring strategy implementation and monitoring CEO, while others such as rewarding and evaluating the top managers or the CEO are better explained using the term control of tasks. Either way, the remaining fact is that the board has an important role to play when they are providing services and resources in their company. Like monitoring and control, the provision of services or resources by the board serves to achieve a broader objective of maximising stakeholder returns and expectations.

2.7.3. Directors' Responsibility to Strategic Direction

Zahra and Pearce (1989) noted that the role of the board is to service and control. Their insights were captured from their research on two board perspectives, including hegemony and legalistic approaches. Nonetheless, when they assessed the function of the board from agency theory and RDT approaches, they acquired a third role, which is strategic in nature. In the process, when they integrated their findings, Zahra and Pearce (1989) concluded that a board has three roles of strategy, service, and control. Examining the board's responsibilities from the strategy and service focus, it can be noted that this broader function further includes the provision of resources into the two roles. Therefore, noted that the service role includes the focus of enhancing corporate reputation, creating contacts with the environment, and giving advice or counsel to the TMTs. These activities include roles closely related to the strategic duties of a director. Hillman and Dalziel (2003) added that part of the strategy is to aid in formulating important company decisions and in formulating strategies. Forbes and Milliken (1999) also supported similar observations where the board is mandated in formulating a strategy with a specific focus on the service role. In addition, the board also plays an important part in approving major initiatives which have been proposed by management managing strategic management an important area of the control role that boards play within their organisations (Forbes & Milliken, 1999).

Even if the strategy role makes a clear distinction from the service role in that sense is used when describing strategy which involves the directors in the process formulation process, there is lack of clear assessment in terms of the activities which are involved in both cases. For instance, the two roles have been reported to require the counsel and advise to the executives and/or the CEO, and there is uncertainty regarding how this can be different in each of the two roles. Further literature discussions have also argued that the second most important function which the board plays in their mandate involves providing important resources. Often, these functions are accompanied by resource and service dependence functions, which also falls within similar descriptions (Forbes & Milliken, 1999). Nonetheless, it is more complicated when attempting to understand specific propositions that are related to strategy roles, and even if it seems right to some capacity to be presented and evaluated as a separate function, there is a need to point out some unclear arguments which remain unclear in the body of literature. When the duties of the directors who oversee resource and control roles are examined, it becomes clear that both roles entail activities which are related to the strategic duties assigned to the directors (Judge & Zeithmal 1992).

Forbes and Milliken (1999) illustrated that directors take active positions in participating during the various stages of strategy formulation—with a specific focus on service roles. Forbes and Milliken (1999) further stated that part of the control role entails approving key initiatives that have been postulated by the top management which has been involved during the strategic decision processes during the control role. Therefore, these observations lead to the conclusion that the involvement of the directors in the strategic processes is related to the resource provider and the monitoring provision roles. By advancing this idea further, it becomes even more elaborate that it is not easy to break down and discuss strategy as a separate role. Instead, the focus on strategy should be presented as part of the two roles which have been discussed in this section (depending on the nature of the activities being examined at one time), thereby making them either fall under the controlling or under the advisory roles. In summation, the responsibility has an outcome, that of ensuring that the interests of the shareholders and the stakeholders have been taken into consideration.

2.8. CG: A Theoretical Perspective

2.8.1. Introduction

As applies to this study, BOD tasks are grounded in mainstream corporate governance theories which are discussed in this section. These theories form the basis of the theoretical framework that can be used to understand BOD tasks within the IFIs. Researchers and practitioners have postulated diverse schools of thought to explore issues of CG, with a keen interest in the attributes of the boards. These different schools of thought have been formulated and explored to extrapolate on the fundamental issues related to CG, with a specific focus onboard attributes (Bhatti & Bhatti, 2010). The specific schools of thought include a social network and institutional perspectives, stewardship, upper echelons, RDT, and agency. Each of these schools of thoughts has different perceptions and views about CG from diverse lenses. The subsequent subsections focus on detailing an in-depth description of the schools of thought from their individual perceptions and opinions based on past literature studies.

Even if the perspectives are being approached by diverse scholars, the most dominant schools of thought when exploring the concept of CG appears to be resource dependence theory (RDT) and agency theory. One of the main reasons why these two schools of thought appear to have strong explanatory power in terms of CG is attributed to their assessment and evaluation of the functions and nature of the BODs. Moreover, both the RDT and the agency theory can clearly be applied in explaining the responsibilities and roles of the BODs and the existing relationship with the connected stakeholders. In the subsequent sections, there are additional justifications made to understand and explore these concepts. In the process, the agency theory, and the resource dependency theory (RDT) will be discussed and detailed with a specific focus on CG. The two theories also form the basis of this study's theoretical framework. All the important perspectives are provided in the subsequent sections by giving the contextual examples denoting applications of these theories, with prominence focusing on RDT and agency theories. In addition, the section also discusses other important schools of thought or theories which include social network theory, institutional, stewardship, and upper echelons theories.

2.8.2. Agency Theory

The agency theory (AGT) was postulated in the late 1960s when Wilson (1968) and Arrow (1971) attempted to describe the risk-sharing challenges in corporations. In their approach, they indicated that risk-sharing emerges when diverse parties such as groups or individuals cooperate with various views towards potential risks. Subsequent literature discussed the issue in the light of RDT (discussed in section 2.9.3.), which emerges if organisations tend to display principal-agent relationships. As applies to this study, the principal assigns duties to an agent who must execute the assigned obligations. When such a relationship exists, Eisenhardt (1989) pointed out that two problems need to be confronted. First, the agency challenge emerges once proposed goals or objectives by an agent and the principal do not align, implying that there are costs involved by the principal in verifying every activity that an agent engages with. That is, there is uncertainty when attempting to verify the undertakings by an agent and whether they are fulfilling the needs of the principal. Second, another issue is related to risk-sharing, resulting when the agent and a principal have diverse views about a risk. The difference is translated in terms of the choice of action each of the parties would take considering their various risk preferences.

In the literature, agency theory concentrates on exploring the BOD's functions and points out that when agency costs are reduced, it is possible to improve corporate performance. In elaboration, this suggestion indicates that the primary function of BOD should be monitoring the agents (management) of the corporation, to safeguard shareholders (principals) ambitions. The main interest of the principals is to ensure that their organisation records improved performance. Furthermore, the framework used to analyse how companies address the differences between agents and principals can play an important role in examining the efficiency of existing executive positions (Beatty & Zajac, 1994).

As noted by Jensen and Meckling (1976) when principals and agents that are parties to a relationship have a common focus of maximizing utility, then it can be argued that substantial reasons exist to indicate that the agent is not always going to put in place measures tailored at promoting the interests of the principal. Further, the researchers allude that the principal can act to reduce potential losses from their interests by creating suitable incentives to their agents, or by having in place monitoring costs which can serve to ensure that the agent is able to make optimal choices which serve to maximise shareholder returns from the principal's point of view.

Fama and Jensen (1983) point out that controlling agency problems is central when the executive members of the firm (who are the decision-makers), who develop and implement important choices are not the primary claimants (owners). As a result, they do not have access to the share if the wealth impacts of their choices. In the case that there is no effective control of what the decision-makers have in place, it becomes increasingly likely that the decisions by managers may vary from the interests of the primary principles. The literature also shed more information that in efforts to ensure that there are effective control processes of the choices made, the selected nature of the control needs to be separate and unique from the decisions made by the management. Therefore, if the assumption is that the decision process contains four steps which include creation, authorisation, implementing, and monitoring, then it is recommended that the entire processes need to be allocated to diverse agents in line with their name. In step one and step three, the allocation is made on similar agents, where these agents are categorized based on similar decision-making conditions, whereas in the control management terms the second and fourth steps of ratification and monitoring are taken into consideration.

Past literature on agency theory has largely focused on the need to monitor functions of the BODs, with results obtained from these studies stressing the need to reduce agency costs to improve company performance. That is, there is a strong indication that the primary function of the BODs is to monitor agents to promote the stakeholder interests (principals' needs), which is strongly translated to mean an improved company or organisational performance. Often, the relevant structures on how the executive need to be compensated are assessed based on the compensatory scheme, which has been agreed by the director's contract. Often, the agreement can be based on aspects like getting stock options, or monetary rewards which are directly related to the risks which a company bear. Based on the compensatory scheme, it becomes possible for the agents to have diverse shares in terms of the wealth they create based on the choices and decisions they make in day to day running of the company. As such, the executives are often paid based entirely on their level of performance and anticipated to show higher inducements aimed at performing well because such processes also work to influence their level of compensation which they should expect from the company.

By making elaborate structures of the tissues which surround and influence the CG framework, this implies that the board's dependence and duality-separation (the ratio between internal and external members). For instance, past literature findings have pointed out that most boards are constructed based on the interest of establishing the independence of the board. In this approach, the preference is based on the need to have more external directors in the board, since boards which largely contain internal members are often regarded as being less independent. Also, internal members of the board tend to benefit from remunerations from the organisation, meaning that they have fewer incentives that work to promote effective management of the company operations. Thus, a board with a higher ratio of external members is considered more independent and competitive in aligning shareholder needs than the one with more internal members. Similarly, the literature has elaborated that when the CEO doubles up as a chairperson within the same company, the board ends up having limited powers in terms of overseeing how the firm is managed. Thus, an effective organisational board should consider the need to separate the two positions.

2.8.3. Resource Dependence Theory

The focus of RDT is on the management of the external company resources. The RDT theory was formulated beginning the 1970s to describing how external corporate resources can be managed. According to Pfeffer and Salancik (1978), such an approach is necessary for understanding organisations and in controlling and managing them. Moreover, this perception holds that company success and sustainability are reliant on their environment. Every corporation is connected to environments by social-legal apparatus, competitive relationships, customer-supplier relationships, associations, and federations (Pfeffer & Salancik, 1978). Hillman et al. (2009) noted that the RDT theory elaborates that five mechanisms can be applied to reduce external dependencies. Some of these mechanisms include joint ventures, executive succession, political action, BODs, and vertical integration or mergers. These five mechanisms were initially pointed out by Pfeffer and Sanlancik (1978), but in this study, the interest is limited to the BODs and to some extent the issue of executive succession within organisations.

Researchers have attempted to link RDT to CG, mainly in consideration of the BODs. Pfeffer (1972) indicated that boards could empower corporations to control external impact and reduce organisational dependence on the environment. The BODs are also connected with the possibility of bringing resources to a company. Provision of resources is considered a primary function of the BOD in line with resource dependency theorists and agency theorists who point out those BODs monitors the resource functions. Pfeffer and Salancik (1978) also supported this critical perception where the governing or advisory board need to facilitate a company to appoint external directors to monitor company functions, offer managerial expertise, and offer support to the company.

An initial approach entails providing the corporation with unique and tailored managerial expertise, considering that one of the processes of making an appointment for directors to the board is based on experience and skills. A second approach is to give the company the necessary support it requires to fulfil its objectives. Pfeffer and Salancik (1978) noted that a corporation which makes appointments for directors to its board often anticipates that the appointed individual will fill in the gap by supporting the vision and mission of the organisation. In addition, the company expects that the newly appointed individual will immerse him or herself in company issues, problems, and challenges, be loyal to the company course by making favourable presentation about the company to others and try to help the company in every way possible so that it can succeed (Pfeffer &Salancik, 1978). Often, all the appointments of an external director are informed by their personal attributes.

However, the RDT theory has been criticized because it has not been questioned, tested, or explored, leaving it largely neglected in the scholarly and practitioner literature. According to Pfeffer (2003), the success of RDT has been problematic and difficult to explore. Moreover, there may be some additional challenges which may impact the reliability and validity of this theory. Hillman et al. (2009) observed that the validity of the RDT approach might be weakened by the disconnection of the theory with the resource-based view (RBV) theory. Even so, the researchers point out that integration of RDT with RBV theory of CG might result in productive outcomes in terms of assessing, exploring, and applying the RDT theory in different fields.

Despite this proposal, observations made from the examined literature reveal that the distinction between the two theories (RBV and RDT) are not very elaborate neither are they distinguished. Thus, this may be one potential source of limitation of the RDT theory. Insights which have been shared by Hillman et al. (2009) point out more about this argument and extrapolate it on the conception that both perspectives are complementary to one another because they focus on resources. On their part, Kraaijenbrink et al. (2010) pointed out that RBV tends to explain that the internal company resources of a company contribute and influence the nature and competitive advantage which a company has. At first, this definition tends to reveal that there is a distinction between the two theories since the RDT tend to observe the external environment and its focus is based on the nature of resource dependencies that originate from the external environment. In contrast, the RBV tends to explain the nature of internal resources.

2.8.4. Upper Echelons Theory

According to the Upper Echelons approach, company outcomes, both in terms of effectiveness and strategies, are shown by the cognitive biases and values of the most important and powerful actors of the corporation. The theory was initially introduced by Hambrick and Mason (1984) and is largely focused on studying top management teams in a company, which can also be used to examine the nature of success in the companies they run. In line with this theory, the argument is that executives act, make, decisions, and interpretations based on their personalities, values, and experiences. Thus, if it is possible to capture these personalities and values, it is possible to predict company outcomes. Hambrick and Mason (1984) also indicated that it is important to take two aspects into consideration. One, it is essential to focus on aspects of top management teams as opposed to focusing on a single executive such as the CEO since leadership is shared, in addition to the collection of interactions, skills, and cognitions of all the top management team. Two, the executives' cognitive bases and values can be recorded using demographic data because gathering psychological data (which is more suitable) is often challenging. Further, accessing higher managerial discretion and job demands would contribute to the collection of better executive characteristics that will help to predict corporate outcomes.

Over the decades, the upper echelons theory was also developed and advanced to include two more moderators to its predications. The two moderators include a managerial description, which was proposed by Hambrick and Finkelstein (1987) and the job demand on the executive side postulated by Hambrick et al. (2005). A recent assessment given by Hambrick (2007) identified that the concept of managerial discretion tends to exist when several acceptable substitute sexists in the company's environment such as industry growth, corporate issues, and the nature of the executives in terms of tolerating ambiguity and failure. In a similar fashion, job demands which are taken into consideration in this model tend to point out whether the CEO must execute the available tasks at hand under comfort. In this case, the general conception is that every CEO usually carries a heavy load. On the ground, the CEO jobs and their requirements differ substantially in the nature of the level of their difficulty. Hambrick (2007) gave an illustration of these challenges and noted that CEOs who operate in bountiful environments, which have well-fortified strategies and highly experienced, committed, and able subordinate members of staff tend to deliver on their operations compared to CEO who lack similar workplace environments.

The literature further argues that when the job demands and managerial discretion is high, there is a direct impact in terms of having more executive characteristics that matter when predicting the outcomes of an organisation. Nonetheless, the primary problem is that there are few studies in the field of CG which tend to approach this topic from the upper echelons point of view although most researchers on board governance tend to largely neglect this theory and apply it in their studies. The reason for such occurrence can be explained by the fact that the theory largely proposes that organisational outcomes and strategic choices can be explored from examining the demographic characteristics of the executives because it is the duty of the managers and not the board's responsibility to make fundamental organisational deliberations. The responsibility by the board is to monitor and ratify strategic decisions; thereby, it can be noted that the members of the board should not have their characteristics considered when accounting for potential predictors of corporate outcomes.

2.8.5. Stewardship Theory

The theory argues that managers are considered stewards instead of agents, and in the process, they act in the best interest of the principals. Davis et al. (1997) elaborated that in line with the agency theory, managers engulf themselves in rational behaviour. However, Argyris (1973) cautioned that such an approach is a simplified perception of a human being and more humanistic, and complex model is needed (Donaldson & Davis, 1991). The theory notes that humans focus beyond individual utility and instead result in collective engagement instead of personal behaviour (Davis et al., 1997). In the literature, this concept has been applied to board research to explain practical outcomes and most articles it used to supplement agency theory as a contrasting model (Martynov, 2009).

The stewardship theory appeared to be rooted in psychology and sociology domains and was created for scholars in efforts meant to explore potential conditions where executives act like stewards. In that case, a steward is considered to be true to the course of the company growth in terms of promoting the interest of the principal who in this case is the shareholders and not propagating the perception of working to serve their selfish ambitions as argued out in the agency theory when examining the role of the principals. Today, there is a growing debate that the two theories exist for several decades and falls under the efforts of researchers to elaborate more on the model of man (Donaldson & Davis, 1991). Further, as pointed out by Davis et al. (1997) in line with the agency theory that the man is anchored on the concept of economic rationality (Martynov, 2009).

Researchers have attempted to discuss the variation between these schools of thought can and linked it to deliberations about the use of power, identification, and motivation. Concerning the motivation aspect, the whole focus is based on the concept of stewardship theory. That is, a steward tends to be more inclined to intrinsic rewards like the desire for self-actualisation, affiliation, achievement, and growth all which are not often easy to identify. In comparison to another perspective of the agency theory, proponents argue that managers can be viewed in the light of being motivated by extrinsic rewards such as retirement plans, medical insurance, exchangeable commodity like salaries, and tangibles (Martynov, 2009). Furthermore, one can point out that by identifying the managers with the objectives of a company, it is possible to help the same managers to start acting like stewards. The last aspect concerns the powers of the managers. However, this managerial power is not similar with institutional power (that is, power that may be derived from their managerial position), instated it refers to the personal power (that is, the power which is created over a period of time in the context of his work and corporate relationships), which eventual is considered to have a substantial influence in generating a sense of steward behaviour (Martynov, 2009).

Over the decades, the stewardship theory has been used in some board studies where it has been useful in explaining empirical findings (Dignam & Galanis, 2009). In other circumstances, the theory has been applied in addition to agency theory to explore and understand the opposite application of the agency theory (Donaldson & Davis, 1991; Martynov, 2009). Despite this shortcoming, the stewardship theory has been considered to be diametric in nature, and it would be anticipated that one can find the two theories being applied in a similar context in CG. To this end, the projected outcome of the agency and stewardship theories is diametric mainly in nature, even if the primary reason it has not been used widely is the essential conceptualisation of the stewardship theory.

An important consideration is that the stewardship theory hardly bases its assumptions on issues such as distinguishing company control and company ownership, rather tends to focus on the nature of the managerial behaviour. Suggestions about stewardship theory reveal that the owners may appear to gain rewards for their decisions, although the central reason emerges from their desire for collective behaviour (that is an intrinsic reward). In comparison, agency theory largely anchors its traditions on the association between the managers and the owners based on the argument that every time there is separation, there is an increased possibility for conflict of interest to emerging further leading to agency costs. Also, the conflict of interest draws managers and the BODs away from the primary objective of the company, where strategies initiated by the top management may fail to be implemented. Similarly, conflict of interest potential generated the concerns about the agent deviating from the core principal's objectives and interests related to financial growth and capital returns (Donaldson & Davis, 1991).

2.8.6. Institutional Theory

According to Scott (2005), the institutional theory points out those corporations exist in the way they do because it is the only legitimate way to organize them. In elaboration, when some operations obtain legitimacy with time, everyone becomes interested in complying to avoid contradicting with others in the same group (Zucker, 1977). In this manner, the institutional theory can be used in predicting practices within companies and comparing their operations within legitimate behaviours. Boyd et al. (2011) argued that institutional theory and RDT are similar because they argue that companies must adapt to uncertain and constantly changing environments.

Scott (2005) pointed out that institutional theory was largely dominant in the 19th century in explaining the various operations within organisations. In addition, the theory was widely used and applied in diverse fields, which include a political arena, economic assessment, cognitive psychology, and sociology. Institutional theory, over the decades, has been noted to be a diverse model which is not in any way single or have in place unified systems of propositions and assumptions. Instead, the theory appears to be amorphous of complex and related concepts and ideas, with a family of diverse approaches or broader theoretical conceptions (Scott, 2005). On his part, Eisenhardt (1988) noted that from a company perspective, corporations exist in the manner which helps them to maintain their identify and form. Over time, companies tend to behave in a certain manner where their actions are recorded over decades and proven to be effective. In the process, every aspect of the company starts to run and adhere to the concepts already established within the company. Zucker (1997) noted that any deviations from the pre-established operations are likely to attract scrutiny and opposition since such actions are noted to move contrary to the needs and established objectives of the company.

Considering the nature of institutional theory, it can be pointed out that the theory can be widely used and applied in predicting practices within the company, based on current practices and future behaviour perceptions on various operations. The behaviour can be supplemented with cultural values, the management trends in the company, and the industry or firm traditions. It can be pointed out that the use of processes and structures that aspire to become legitimate within institutions from their operational environment can have practical implications. In the process, this can result in the establishment of rational, appropriate, and modern corporations which tend to avoid negligence claims in the event something goes contrary to the set expectations (Zucker et al., 1997). Boyd et al. (2011) allude that RDT and institutional theory appear to be similar because the two argue that corporations must aspire to adapt with changing times, and the uncertain and dynamic business environment in which they operate.

A handful of studies on CG, according to Beekun et al. (1998) have applied the institutional perspective to explain or predict certain operating market environments. Similar findings have also been reported by Eisenhardt (1998) and Judge and Zeithaml 1992) where the primary idea which drives the theory (when used to study BODs) is that the board can be a potential mechanism which can influence the process of achieving legitimacy and that the external environment appears to provide or influence constraint this same function. Board legitimacy goes a long way in influencing various company operations such as affecting the board independence, shareholder trust, and the decisions made in efforts to promote stakeholder value.

2.8.7. Social Network Theory

The theory focuses on examining how company performance and behaviour can be explained using the pattern of ties with external aspects. Boyd et al. (2011) pointed out that corporations are interlinked with each other via diverse social networks. Some of these networks include alliances, the relationship among employees, associated memberships, resource flows, and supplier relationships. At first, this perception appears to be the same as RDT, since it alludes that the organisation is dependent or related in resources to other entities. However, the two approaches differ in that social network theory emphasises the role of social context to resource constraints, which appear in RDT. Boyd et al. (2011) pointed out that an organisation's social network contains past inter-firm connections, and it is the informational advantage from the social networks than empower a company creates new connections and promote trustworthiness, capabilities, and reliability of new possible partnerships.

As noted by Boyd et al. (2011), two inter-organisational connections or links exist where information advantages from created social relationships help the companies to develop stronger ties and improve on their reliability when they engage with new business partners. However, the theory has not yet been extensively applied across various aspects of the CG literature. When applied, however, the social network theory serves the purpose of examining how interlocking executives might influence and shape company outcomes based on their pre-established networks with other companies and industries (Boyd et al., 2011).

For instance, Yoko et al. (2009) pointed out that the boards serve a unique formal mechanism that is often used to create a link between or amongst top managers from different companies. As such, the social network theory puts into place important opportunities for managers to share and exchange information, explore and evaluate different leadership practices, and examine the style of leadership their peers use while getting important opportunities to witness first-hand insights of the consequences of the various practices (Carpenter & Westphal, 2001). Therefore, the literature holds that connections that directors create with other organisations might be of important influence in terms of formulating decision-making processes and improving on their existing corporate strategies (Boyd et al., 2011; Palmer et al., 1993).

2.9. Applying Theories to Develop Underlying Theoretical Framework in Relation to SSBs and BODs

According to Rahman and Bukair (2013), the literature findings reveal that the factors which affect BODs also affects and influences SSB operations within the IFIs. Bhatti and Bhatti (2010) also revealed that when compared to IFIs, the structure of the CG and conventional board seems to be alike in their operations and objectives. Thus, the CG theories such as the RDT, STD, and AGT discussed in section 2.9 can be used and extended to explain the expected roles between SSBs and BODs within the IFIs (Azmat, Skully, & Brown, 2015). The subsequent sections provide details which help theorize the association between SSBs and BODs in the light of the theoretical lenses.

2.9.1. SSBs' and BODs' Expertise

The RDT postulates that financial institutions such as IFIs require resources which they can access from the environment which they operate for them to survive in their daily operations. The BODs make positive contributions in terms of availing valuable resources to the IFIs in terms of work experience, educational qualification, expertise, skills, and knowledge (Bassens, Derudder, & Witlox, 2011). Further, the BOD uses its resources when deliberating on important financial issues and when making suitable decision processes. Board members also rely on individual resources to exercise their mandate of controlling and steering financial organizations into the current direction. When examining risks taken, the BOD which tends to have diverse skills also tends to show more experience when taking risks due to in-depth comprehension of their organization's risk appetite. Making risky decisions also demand that the BOD has a sound financial background.

In contrast, the SSB members include Shari'ah scholars who make positive contributions through effective resource use in the various situation which calls for SSB's decision-making processes and deliberations. The literature agrees that SSBs represent depositors and shareholders of the IFIs in efforts to ensure and certify financial transactions, contracts, and banking operations in line with Shari'ah law. Therefore, SSB members are mandated to have the necessary experience in Shari'ah and education qualifications before serving as Shari'ah experts (Samra, 2016). In addition, the RDT stresses that SSBs must be constituted of personnel who have banking experience or financial knowledge that empower them to make careful assessments on financial contracts applied to various banking services and products of IFIs.

2.9.2. Educational Level of SSB and BOD Members

Besides the level of expertise, another important resource among the SSBs which facilitates IFIs performance is the educational level of its members. The educational level becomes an essential resource which both the BOD and SSBs bring to the IFIs when making quality decisions in addition to handling complex challenges. In line with the AGT, the BODs and SSBs are mandated to use their education to advance stakeholder interests where they ensure top management execute the interests of their stakeholders instead of their own interests. Moreover, based on the stewardship theory, both SSBs and BODs have to work in the best interest of their stakeholders when using their educational level to make informed decisions. When considering SSBs, they have to apply stewardship theory when deliberating on Shari'ah requirements in the IFIs financing and banking options when assessing financial contracts and associated risks applied to various banking services and products. Rahman and Bukair (2013) noted that SSB members with doctorate qualifications in IFIs are highly acquainted in the structure and procedure of IFI products unlike some of the members in the BODs.

2.9.3. Gender Diversity in SSBs and BODs

Boyd et al. (2011) noted that RDT and institutional theories are anchored on the assumption that corporations have to adapt to constantly changing and uncertain business environments. One of the main changes in SSBs and BODs over the recent past has been the composition and diversity of its members. Further, Social Network Theory elaborates the need to develop alliances which reflect improved supplier relationships, alliances, and the nature of associated memberships. The literature reveals that BOD diversity can serve corporate performance because of the unique characteristics by its members and their contributions to the board. Similarly, performance improvement in SSBs is considered a positive outcome because of diversity which results in innovation, creativity, and high-quality decision processes. Gender diversity presents one aspect of boar diversity in BODs and SSBs within the IFIs. The literature alludes that compared to males, females are often different in their education background, communication style, personality, and career expertise or experience. When such variations are evident in the IFIs boards, it becomes highly possible to achieve broader decision-making processes. Women are also considered to be less self-interest oriented, benevolent, more involved and committed, and more diligent compared to male directors.

2.9.4. Board Independence

The AGT indicates that the SSBs play an important role in promoting the stakeholder needs in the presence of agency conflicts with board members and top management in the IFIs. Nonetheless, the extent to which the SSBs are able to exert this monitoring role over the top management and BODs depends on the level of their independence (Azmat, Skully, & Brown, 2015). Farag, Mallin, and Ow-Yong (2018) shared that SSBs which are independent of any control and influence from powerful CEO and BODs are better positioned to exercise their monitoring roles. Empirical and theoretical literature shows that a high number of independent SSBs denotes a greater level of monitoring of the SSBs. In contrast, lack of board independence has been reported to be associated with CG failure and increased financial risks resulting from defaulted loans and debts. Williams and Zinkin (2010) indicated that SSB independence ensures minimal influence from management and this further establishes the accountability and integrity of the BODs in terms of discharging their mandate. As a result, a high degree of independent SSBs can help prevent the BODs from making excessive risks since they serve as strong risk mitigation system. Independent SSBs can be counted on to scrutinize investment and financing proposals made by BODs in an objective manner.

2.10. Summary of how Literature Insights Shaped the Focus, Purpose, and Design of Study

The insights gained for the literature discussed in this chapter have largely informed and shaped the research focus, purpose, and design of the study. Insights by Azmat, Skully, and Brown (2015) and Williams and Zinkin (2010) have substantially formed a foundation for the conceptual scope and theoretical framework of CG based on the two dominant governance systems in the banking sector. That is, the European and the Anglo-Saxon models. As evident, insights by Farag, Mallin, and Ow-Yong (2018) and Farook and Farooq (2013) on CG model have elaborated how the value system based on shareholders form the basis of the agency theory are relates to the Anglo-Saxon model. In contrast, the works by Yamak and Suer (2005) and Macey and Miller (2004) have been essential in exploring the European model which offers solutions for the shortcomings evident in the shareholder model by emphasizing more focus on stakeholder approach, with its main basis informed by the stakeholder theory. Further, the gap between the two models is bridged by the BCBS and OECD CG models by taking into consideration the stakeholder interest and shareholder value in the banking institutions (Ullah, Harwood, & Jamali, 2018). Therefore, this section has delved into providing an extensive literature overview and survey of CG from convention approaches, specifically related to the financial institutions.

Considering that the Anglo-Saxon model is based on the agency theory, the framework clearly represents a clear system aimed at promoting and facilitating shareholder value. In contrast, the European model has been shown in this study to be anchored and formulated on stakeholder theory and in the process, it can be pointed out that it offers remedies in support of the shortcomings of the shareholder model by putting in place stakeholder value generation system (Pollard & Samers, 2013). When considering the issue with the banking operations, the OECD values on CG and the BCBS principles on promoting CG in the financial sector appear to create a link between the two models (Bhatti & Bhatti, 2010). Such an approach is realised because the principles acknowledge the important role that the shareholders play and their value in the financial sector, while also taking into consideration the important part of the stakeholders and their interests.

Considering the above insights, it can be argued that the key participants who influence all the aspects of the CG process include the regulatory authorities, the depositors, the shareholders, the managers, the SB, and the BODs. These conclusions are suitable and genuine with a specific focus on both the conventional and contemporary financial services sectors (Bhatti & Bhatti, 2010). Furthermore, the literature findings have proved that there are a trend and a tendency for the convergence of two CG systems in addition to the resolve of the stakeholder system or the shareholder system. The approach is preconceived by five main considerations which include the issues with economic conception, culture or social norms, existing political environment, the formulations around the legal frameworks, and the factors which influence national diversity (Jacoby, 2000).

Therefore, the current section has played an important part in providing an extensive literature overview and survey of CG. Specifically, the overview of this literature has served the purpose of the study by focusing on financial institutions. Comprehension of the theoretical framework of CG is domineering in the current study because it serves as a basis of enlightening other studies in the field of CG, and specifically as applies to the Islamic perspective. From the conventional approach, the model of CG triggers issues of having in place effective and efficient design for proper CG to be realised, especially when focusing on IFIs within the Islamic corporate sector (Ainley et al., 2007). Today, it is fundamental to identify the behaviour, the norms, the values, and the characteristics of CG based on Shari'ah guidelines, a key research focus of this dissertation. The initial observations on this topic reveal that the CG paradigm in Islam is largely focused on the stakeholder value creation, where its style of governance is focused at the desire to protect the entire group of stakeholders (Bhatti & Bhatti, 2010). Also, the literature examines the foundational and conceptual dimensions of CG in Islamic literature and further details its diversities and differences. Before delving into Islamic literature, the next section presents the theoretical perspectives about CG.

Notably, some of the theories have been noted to generate contrary views such as stewardship and agency theories, while others remain complementary such as social network theory and RDT, and others are non-related such as upper echelons and agency theories. Today, the attention is also focused on other fundamental issues that seek to address the functions of the BODs. In addition, further research has been focused on exploring the functions of CG from the Islamic point of view. In the next chapter, the functions of Islamic CG are discussed in detail.

The literature insights from the CG framework has played a central role in terms of informing and shaping the research focus, purpose, and design of this study. Findings help examine the moderating effect of SSBs on the link between BODs and IFIs management, which is the main research focus in the current study. In line with the agency theory, the SSBs have an oversight mandate to control the self-fulfilling interests among the top executives in the IFIs (Pollard & Samers, 2007). Islamic. Specifically, SSBs which consist of independent Shari'ah advisors and BODs which are made up of independent directors can form the basis of protecting stakeholder interests and promoting their financial returns. Even so, the board members must have the required resources in terms of gender diversity, expertise, independence, education, and experience in line with RBV to be in a position to make suitable contributions in terms of quality decisions and oversight. As applies to the Saudi IFIs, these aspects are integral to the success of any financial institution and SSBs have to work collaboratively with BODs to promote stakeholder interest in efforts to reduce conflict of interest in line with the AGT (Pollard & Samers, 2013).

The reviewed literature also stresses the theoretical frameworks of such as the Upper Echelons theory and stewardship theory which can be used to understand how SSBs and BODs can be integrated to work seamlessly within the IFIs in Saudi Arabia. A clear assessment from the literature was that SSBs serve to ensure that IFIs operate within the Shari'ah framework, where top management and BODs act in line with Stewardship theory where they make investment decisions and financial deliberations that align with the interests of the stakeholders. Moreover, the Upper Echelons theory is in line with the Stewardship theory where the primary argument is that top management needs to make decisions based on the experience and values in the best interests of the company. To this end, integrating the two theories to this study makes it possible to comprehend that the oversight role of SSBs and BODs can better contribute to competent decision processes aimed at controlling potential financial and credit risks resulting from IFIs lending. In line with Saudi IFIs, the literature creates an emphasis on the fact that SSB attributes such as greater diversity, education qualification, bank- and Shari'ah-related experience moderate BOD independence and operations.

Chapter 3: CG from the Islamic Perspective

3.1. Introduction

The current chapter discusses the theoretical framework which can be used to explain the SSB tasks which are largely based on the Shariah law. Over the years, the literature has extensively explored CG in the context of Islamic banking but there is still a lack of an overarching and unifying theory of CG for Islamic banks. Today, the concept of CG (either the European model that promotes stakeholder value or the Anglo-Saxon model that advances the shareholder value system) has been a subject of continued debate among scholars and practitioners. By comparison, there are limited studies which have been undertaken to explore the Islamic perspective of CG, specifically when examining the Islamic finance (Ainley et al., 2007), even though there has been the rapid growth of the Islamic banking in the global financial markets since the mid-1970s (Yunis, 2007). Studies on IFIs started in the 1980s with studies by Abomouamer (1989) examining how Shari'ah control was applied in Islamic Banks, while Banaga, Ray, and Tomkins (1994) explored external audit of CG within Islamic banks.

However, the two studies were undertaken by individuals and only limited their scope to Shari'ah control and audit. Over the years, additional studies have been conducted to understand CG from the Islamic point of view, a focus of this section. In the literature, the existing studies on IFIs CG can be grouped into three main phases (Bhatti & Bhatti, 2010). Phase one includes the pre-1980s, phase two includes the period between the 1980s and 1990s, and phase three include the post-2000s. In the first phase, the era is characterised by the absence of studies on CG on IFIs, and the topic received less research interest in mainstream CG. The claims are supported by the initial surveys which were undertaken by Siddiqi (1991) on contemporary studies on Islamic financial economics (Ainley et al., 2007; Bhatti & Bhatti, 2010). However, there was some increased focus and commitment to the topic of CG of IFIs in the second phase (1980 to 1990). For instance, a study by Abomouamer (1989) set to examine the functions and roles of Shari'ah control in Islamic banks. Additional research five years later by Banaga, Ray, and Tomkins (1994) attempted to undertake external audit and CG in the Islamic banks (Banaga, Ray, & Tomkins, 1994; Choudury & Hoque, 2004).

The two studies by Abomouamer (1989) and Banaga et al. (1994), however, were undertaken by individual scholars and limited the scope of their study to Shari'ah audit and control in the Islamic banks. In the light of the limited corporate studies on IFIs during the first two phases of the literature overview, there was increased research interest beginning in the mid-1990s to 2000s. The reason for increased research interest in the IFIs during this period was triggered by several failures of some Islamic banks such as the Islamic Bank of South Africa, Ihlas Finance House in Turkey, and Islamic Investment Companies of Egypt. As a result, a number of CG studies were undertaken by different institutions, organisations, and individuals in the third phase (post-2000s).

One of the major studies that were undertaken on CG in IFIs was research by Chapra and Ahmed (2002). The researchers focused on examining the issue of the functions and roles of the SSBs, accounting, auditing, and the overall framework of CG with a specific focus on IFIs. Subsequent studies further expanded on the topic where researcher like Al-Baluchi (2006) assessed issues of disclosure practices of IFIs, while Al-Sadah (2007) investigated CG of IFIs, the role of Islamic bank supervisors, the effects of IFIs on stakeholders, and its characteristics. At the height of the global financial meltdown in 2008, IFSB published a study on Shari'ah boards (SBs) of Institutions

Offering Islamic Financial Services in various jurisdictions (Ainley et al., 2007; IFSB, 2008). The study by IFSB (2008) was followed by the one by Faizullah (2009) who examined the standardization, transparency, and governance of the Islamic banks in line with CG.

However, despite the studies above in the three phases, further analysis of the literature reveals that there are inadequate findings that have attempted to establish and deconstruct the theoretical foundations of CG with a specific focus on Islamic banking. Some attempts, however, had been made by Iqbal and Mirakhor (2004) and Choudhury and Hoque (2004) to create a theoretical framework of CG of Islamic banking. Choudhury and Hoque (2004) attempted to expand on the theory of CG based on the Tawhid epistemology on the Oneness of God (Al-Faruqi, 1982). In contrast, Iqbal and Mirakhor (2004) recommended the use of stakeholder-based value system anchored on the principle of contractual obligation and property rights. The existing literature was also extended by Safieddine (2009) by examining variations of the agency theory in a complex and unique Islamic banking context. To date, the issue of CG continues to be an area of major concern for international standard-settings agencies, supervisors, regulators, shareholders, and other stakeholders in the IFIs, thereby the need for this study.

Considering the overview above, it can be noted that CG is one of the essential components in the Islamic banking sector. The importance of CG is reflected by its role in developing and advancing the important principles of transparency, accountability, and fairness. Compared to the conventional banking system, the IFIs face a greater challenge and risk in ensuring strict adherence to the Shari'ah law governing financial transactions (Jabbar, 2009). Thus, there is a strong regulatory requirement where any Islamic corporation, especially the IFIs, must have in place appropriate strategies and sound governance systems that will work to promote the adoption of effective and strong CG within the Islamic framework. In the light of these deliberations, the focus of this section is to provide a review of the key foundation of CG from the Islamic point of view, with special deliberations made on the IFIs framework (Cull et al., 2005). The section further seeks to construct basic insights about CG in Islam and to clarify important issues so as to distinguish its features and values from those of the western-based banking systems and financial institutions (Cull et al., 2005). The study argues that as applies to IFIs, Islam becomes the key distinctive aspect in the bank's special characteristics and values in service and product delivery in its CG. As such, the primary aim of the IFIs CG is based on the need to uphold and maintain the central principles of social justice by working towards the interests of the shareholders and those of the stakeholders at large.

3.2. The Framework of Islamic CG

The concept of CG from the IFIs perspective appears not to show any divergence from other conventional definitions. The process denotes a system where organisations are controlled, directed, and managed, with the objective of meeting corporate goals and objectives where the interests of stakeholders are taken into consideration (Bhatti & Bhatti, 2010). Within the Islamic paradigm, however, CG as some exceptional features and characteristics when compared to the Western theories and approaches like the Anglo-Saxon and European models (Becht & Barca, 2001). The primary difference is that the IFIs are faith-based in their theoretical framework in terms of how decisions are made (Choudhury & Hoque, 2006). Hence, it is important to refine and understand the definition of CG from the Islamic point of view and its application to the Shari'ah law.

3.2.1. Defining 'Corporation'

The concepts of partnerships, such as *mudhārabah* or *mushārakah,* have been widely known. However, there is limited discussion on the concept in relation to the corporation. Vogel and Hayes (2006) pointed out that classical Islamic law discussed partnerships in that time and not modern corporations with artificial personalities. The existing literature defines the Islamic corporation by assessing its characteristics (Vogel & Hayes, 2006). Choudhury and Hoque (2006) define it as a legal entity of shareholders with proportionate and principal owner of assets in line with individual group equities and profit-sharing capacity. Iqbal and Mirakhor (2004) noted that a corporation profit-oriented and market-driven legal entity within a responsible and social milieu. Vogel and Hayes (2006) also added that within the IFIs paradigm, a corporation includes an entity focused on maximizing profits without infringing the interest of stakeholders or violating property rights (Vogel & Hayes, 2006).

Modern Muslim scholars such as Hasanuzzaman, Mustafa Zarqa, and Abdul Qadir have pointed out the concepts of limited liability and legal personality in defining a corporation. The scholars have accepted the concept of a juristic person (shahsiyyah itibāriyyah) which is based on the main principles of *dhimma*, *masalih mursalah* (public interest), *Istihsan* (equity), and *qiyas* (analogy) (IFSB & IRTI, 2007; Visser, 2009). Moreover, the AAIOIFI Shari'ah Council and the Islamic Fiqh Academy confirm the recognition and acceptability of the limited liability concept. According to the Islamic Fiqh Academy, there is no objection towards the Shari'ah setting and creating a company which has limited liability to its capital (IFA & IRTI, 2000; IFSB & IRTI, 2010). In contrast, AAOIFI Shari'ah Council has in its Shari'ah Standards No. 12 a stipulation which spells out the acceptance of the limited liability practice based on incorporated laws and regulations (AAOIFI, 2003; AAOIFI. 2008a).

However, considering that this section elaborates on the CG framework concept, the limited discussion does not delve into the debates on corporation concepts in Islam. In Islam, it is indicated that a corpus or the concept of artificial personality with a distinct legal entity is widely accepted (Kraakman et al., 2004). In business organisations, the concept of the corporation is critical since it provides some clear key characteristics such as shared ownership by capital holders, absence of delectus personae in the shareholder group, the central management system based on a board structure, and a separate legal personality (Kraakman et al., 2004). However, the acceptability and recognition of the concept of Islamic corporation generate another concern which is related to its conceptual definition.

To this point, the available literature appears to define Islamic corporation with a specific focus on its unique characteristics. Choudhury and Hoque (2006) defined Islamic corporation in the light of it being a legal entity composed of shareholders with proportionate and principal owner of assets in line with profit-sharing abilities and individual group equity. The similar definition has also been given by the Saudi Arabian Monetary Agency (SAMA) based on similar ownership (SAMA, 2013). Beng and Ming-Hua (2009) further pointed out that additional commercial and social criteria of the Islamic corporation as a profit-oriented and market-driven legal entity within a responsible and social cooperative milieu. Iqbal and Mirakhor (2004) provided another definition and pointed out that an Islamic corporation can refer to a business entity which has a primary objective of maximising on its returns within the framework of property rights, and with careful planning to ensure that the rights of the stakeholders in the same business group are not infringed. Thus, it can be argued that the concept of an Islamic corporation is characterised by three primary objectives:

i). It is a legal entity that has limited liability,

ii). It is a market-driven and profit-motivated entity and

iii). It operates within the confines of Islamic social justice.

Within the above frameworks, it becomes elaborate that Shari'ah principles and rules have largely played an important part in terms of determining and defining the scope of Islamic social justice as it applies to corporations. Importantly, its definition has been key in the banking and financial sectors in terms of providing a conceptual framework on financial transactions that are permissible, and those that are non-permissible, in the banking sector.

3.2.2. Defining 'Governance'

In Arabic, there is a lack of consensus on the standard translation for the term governance. According to Iqbal and Mirakhor (2004), CG is vaguely comprehended in the Arabic world. The term has been widely associated with *hawkamah* or *wilaya*. The word wilaya denotes an exercise of authority or representing people in a show of power to initiate actions (Mawil, 2004). The word Hawkamah denotes authority of legal personnel or an individual in initiating actions to steer operations, direct something or someone, or govern in addition to monitoring, directing, managing, and controlling an organisation.

3.2.3. Defining CG in IFIs

CG is defined as a set of organisational arrangements which denotes how a corporation is controlled, governed, managed, and directed. The arrangement serves to give a structure of governance to protect stakeholder interests, ensure company goals are attained, and promote social responsibility, and the principles of Shari'ah. Under IFIs, CG obtains its definition from IFSB-3, which includes institutions that offer Islamic financial services only (Cull et al., 2005). In this case, CG is defined as a set of relations between the management of a company, the shareholders, and the BOD (IFSB, 2009a). In addition, CG in IFIs includes a set of company arrangements, where the management of actions in IIFS are aligned to reflect shareholder interests. In addition, CG in IFIs facilitates the need to attain adequate operations of the BOD, and in the process ensuring IFIs uses resources in a compliant and efficient manner in line with Shari'ah rules (IFSB, 2006).

In line with IFIs, CG has been defined based on the illustrations given in the IFSB-3, with a specific focus on the CG guiding principles for Islamic-based institutions (IFSB, 2009b). However, the concept often excludes the Islamic Insurance (Takafu), as well as Islamic mutual funds and related institutions (Visser, 2009). In their governance framework, IFSB-3 defines CG as a set of relations that exist between the management of a company, its shareholders, its BODs, and other stakeholders that provide the structures upon which the objectives of a corporation are created. Also, it refers to the structures upon which the focus of attaining the set objectives and performance monitoring is determined (IFSB, 2008a). Further, it explains the issues affecting CG in IFIs to include a set of company arrangements where actions of management of IIFS are coordinated (as far as possible) with the interests of its stakeholders (IFSB, 2008b). Besides, it refers to efforts put in place to assure the provision of adequate incentives for governance organs such as management, Shari'ah board, and the BODs to pursue objectives that are in the stakeholder interest (IFSB, 2006).

In line with IFSB-3, there is an elaborate and clear definition of the actual framework and meaning of the term CG as it applies to IFIs. In elaboration, it is clear to note that the definition given by IFSB-3 contains all elements that are important to the framework of CG which also takes into consideration the important features of Shari'ah requirements (IFSB, 2009b; Kechichian, 2013). In the first segment of the definition, there is a clear assessment of the general functions of the roles and responsibilities of CG as stipulated in the relationship that exists among the stakeholders (Kechichian, 2013). In the second segment of the definition, there is an incorporation of essential requirements in line with the Shari'ah principles and rules, a move that clarifies the actual conceptual framework which underlies the CG in the IFIs. When referring to how Shari'ah and its framework has been defined in the concept of business organisations such as the IFIs, it becomes clear that most of the Shari'ah issues are closely connected to the context of CG where they fall under the scope of *fiqh al muāmalāt* (Cadbury, 2002).

3.3. Role of CG in IFIS

Considering growing concerns about corporate failures and challenges in IFIs, like the case with the Bank Islam Malaysia and Dubai Islamic Bank, the need for efficient and good governance systems are considered essential in corporate success. The cases reveal that IFIs are not entirely immune from failures and crisis because of the various governance issues. In the IFIs, the objective of CG is like the general concept of CG in other types of corporations (Cadbury, 2002). An important elaboration of CG goal is about the need to promote accountability, transparency, and fairness. In efforts to protect the interests and rights of every stakeholder (Macey & O'Hara, 2003). However, the context of CG as applies to IFIs moves beyond the relationship between stakeholders, management, BOD, and shareholders because it also promotes the need to maintain a relationship with God (Cadbury, 2002).

In the process, IFIs emphasise an additional framework for Shari'ah in efforts to promote and safeguard not just a relationship with God but also include the environment and other humans. One of their main functions is to create confidence among stakeholders by ensuring conducts by agents comply with Shari'ah principles. The second focus is that stakeholders need to be assured that IFIs is interested in improving and maintaining company growth and that they can prove their trustworthiness, stability, and efficiency (Macey & O'Hara, 2003). In the process, CG in IFIs functions to promote harmony in these two functions to attain Shari'ah requirements and work towards maximizing of company profits without violating stakeholder interests and rights (Iqbal &Mirakhor, 2007).

Based on the above assumptions, it can be noted that in the purview of CG, good and transparency processes are central in efforts aimed at protecting the interests of every stakeholder in the Islamic financial sector (Ainley et al., 2007; Chapra, 2008). The current interest is one of the main reasons why there has been a growing focus in the research literature on financial institutions to assess how IFIs adhere to Shari'ah rule (Macey & O'Hara, 2003). Kechichian (2013) noted that in close examination of the CG concepts in IFIs (Chapra & Ahmed, 2002), the framework could be said to move beyond the existing association between the management, the BODs, the shareholders, and the stakeholders, this is because it also creates a strong emphasis on the need to forge and maintain a close relationship with God (Macey

&O'Hara, 2003). Closely related to this approach, it can be noted that IFIs require alternative Shari'ah framework to maintain and safeguard, not just the close relationship with God, but also incorporate the same relationship with the environment and other human beings tied with these financial institutions (Chapra, 2008).

The roles of CG can be categorised into two broad frameworks that are unique to IFIs. First, the initial interest entails the desire to re-assure stakeholders that their financial products and services fully comply with the Shari'ah principles. Second, there is a growing interest to assure the stakeholders that IFIs has clear cut objectives which are meant to be maintained and improved as the growth of a corporation is realised over time, with subsequent commitment anchored on ensuring trustworthiness, stability, and efficiency (Chapra & Ahmed, 2002). The role of CG, therefore, is to harmonise these two functions in efforts aimed at meeting the Shari'ah requirements and to justify the natural objective of organisations which is to maximise on profit returns without infringing on the interests and rights of the stakeholders.

Moreover, CG in IFIs is essential because this means that the corporations must address several types of risks encountered in the environment, such as the risk of governance. In defining governance risk, Iqbal and Mirakhor (2007) pointed out that this is a risk which arises from failed efforts to govern the corporation, in addition to potential negligence in running the business, failure to meet the set contractual obligations, and weakened processes from the external and internal environment. Further, Iqbal and Mirakhor (2007) classified the risk of governance into reputation risk, Shari'ah risk, transparency risk, fiduciary risk, and operational risk. In addition to the emerging complexity and unique features of IFI related risks (different from the risks in the conventional financial sector), an efficient and sound CG system in the IFIs must be availed so as to mitigate against potential risks that might emerge in the Islamic banking organisations (Cadbury, 2002).

The unique IFIs characteristics that need to comply with Shari'ah laws in every activity of the banking operations demand the need to have in place precise governance processes and operations. Since they operate under the confines of the Islamic corporations, IFIs need to avoid any potential involvement with every kind of Shari'ah prohibition, including restrictions such as gambling, speculation, uncertainty, and interest (Chapra & Ahmed, 2002; Grais & Pellegrini, 2006). At the same time, Islamic institutions need to avoid investing in unlawful practices and to adhere to all principles and ethic codes that govern Islamic morality and the Quran. In addition, the issue of CG in Islam in Islamic institutions is a necessity for proper and ethical operations that govern the operations of these financial institutions (Cull et al., 2005; Iqbal & Mirakhor, 2007). Embracing ethical practices is central to the central operations because it builds and promotes confidence among the stakeholders in addition to emphasizing positive enlightenment from the public concerning activities, operations, and products offered by the banks to ensure they are in with the Shari'ah principles and rules (Macey & O'Hara, 2003).

3.3.1. The Development of CG in IFIS

The development of CG in IFIs underwent two broad phases where the first phase occurred in the pre-20th century, while the second one occurred in the post-20th century. The second phase is further grouped into two stages with the first stage occurring in the pre-1970s and the second one occurring post-1970s. The pre-20th century was marked with the absence of CG in traditional IFIs (Cadbury, 2002). The term 'bank' was unknown to the early Muslim period with words like *Bayt al-māl* extensively in use. In the 8th and 9th century, financial players were called *jahbadh* and *sarrāf* with their roles resembling modern banks. Through *jahbadh* and *sarrāf,* financial negotiations under *mudhārabah* and *mushārakah* were made possible in terms of facilitating trade and other instruments such as a letter of credit, promissory notes, and cashing cheques (Cull et al., 2005). While *jahbadh* mainly focused on the public sector while *sarrāf* focused on private and public sectors. At the time, however, CG was less an issue since they were not classified as a corporate legal entity.

During the post-20th century, the first emergence of CG in modern IFIs started before the 1970s (Chapra & Ahmed, 2002). In the first stage before the 1970s, the rise in the use of *ṣarrāf* among Muslims declined due to rise in non-Muslim *ṣarrāf* families created by Greek, Armenian, and European *ṣarrāf* (Becht & Barca, 2001; Saeed, 2002). The colonization of Muslim regions also affected existing financial systems, and this resulted in replacement with western banking, which is an interest-based financial market. By 1950s, efforts to establish IFIs commenced in Pakistan with the establishment of local banks to provide financing to the poor. The process was further followed by the establishment of similar banks in Egypt, such as Nasser Social Bank in Egypt. In the second stage, between 1975 and 1990, there was a significant evolution in the Islamic financial sector. Several banks emerged such as Kuwait Finance House, Faisal Islamic Bank, and Dubai Islamic Bank, which triggered the need for CG systems. The issue was further emphasised with failures of IFIs in the 1990s and 2000s with the objective of creating effective Islamic Financial corporations (Ainley et al., 2007). In the process, IFSB and AAOIFI were created to address these concerns by providing CG in IFIs and practice guidelines. Today, AAOIFI has issued seven governance standards based on Corporate Social Responsibility, Governance Principles for IFIs, Independence of SB, Audit and Governance Committee for IFIs, Internal Shari'ah Review; the

Shari'ah Review, and Appointment, Composition and Report (AAOIFI, 2008b; Chapra & Ahmed, 2002). Additional guidelines on supervisory and disclosure have also been detailed in the IFIs to improve CG, such as disclosures to promote governance (Cadbury, 2002).

3.3.2. CG Framework in IFIS

In the IFIs, some studies have attempted to construct an Islamic model different from the principles and models of CG in western countries (Chapra & Ahmed, 2002). Different from the western concepts that are based on secular humanism, Islamic CG is based on aspects of *Tawhid* and incorporated into Shari'ah principles and rules (Bhatti & Bhatti, 2010; Al-Faruqi, 1982). The goal of *Tawhid* is to promote consultation where every stakeholder shares a common goal of the oneness of Allah (Choudhury, 2006), while Shari'ah principles work to achieve stakeholder-based values. In the subsequent sections, the composition of the SSB is presented and discussed (Al-Faruqi, 1982).

3.3.3. Conceptual framework of Shari'ah governance systems

The conceptual framework of SSB tasks is based on Shari'ah governance. However, the definition of Shari'ah governance system remained unclear and contentious until the issuance of the IFSB guiding principles on Shari'ah (IFSB, 10). In line with the IFSB-10 Shari'ah governance is defined as a set of organisational and institutional arrangements through which IFIs ensures availability of effective and independent oversight of Shari'ah compliance in efforts to offer suitable Shari'ah pronouncements, information dissemination, and internal review efforts (Chapra & Ahmed, 2002). Thus, three main issues make up Shari'ah governance:

(i). Organisational and institutional arrangements— The Shari'ah board and other institutions like the internal audit and Shari'ah division.

(ii). Efficient oversight of Shari'ah compliance— Having in place independent and efficient processes of promoting Shari'ah compliance.

(iii). Shari'ah pronouncements— Disseminating information and internal review on Shari'ah compliance.

Table 1 compares how Shari'ah governance compares with existing CG frameworks (Stanley, 2008). The IFIs and regular financial institutions share common arrangements in terms of compliance, control, and governance. However, a different element between the two is that IFIs has institutional arrangements specific to Shari'ah -compliant governance.

Table 1:Institutional Arrangement in the Shari'ah Governance System (IFSB, 2009).

Functions	Regular Financial Institutions	IFIs Exclusive Institutions
Governance	BOD	Shari'ah board
Control	External/Internal Auditor	External/Internal Shari'ah review
Compliance	Financial and regulatory compliant officers	Internal Shari'ah compliance unit

In addition, IFIs require a different corporate arrangement which operates in the form of Shari'ah board which serves to meet the various religious requirements. Figure 2 presents the Shari'ah governance system, which adds more layer of governance typical of IFIs, where the Shari'ah board and internal or external review that ensure all aspects are regulated (Chapra & Ahmed, 2002). The governance is based on the AAOIFI standards which place the Shari'ah board at par with the BODs in the corporate structure, implying that it is directly subjected to stakeholder control (AAOIFI, 2005). In contrast, the IFSB-10 model places the Shari'ah board either as subordinate or parallel to the BODs (Stanley, 2008). Nevertheless, both the IFSB and AAOIFI agree that the Shari'ah board need to be independent of the BODs and always be accountable to both the stakeholders and the shareholders (Saeed, 2002).

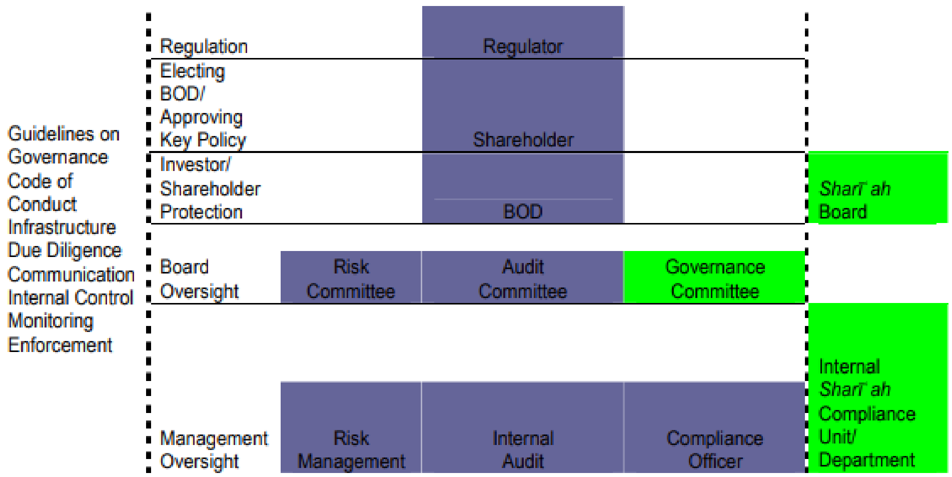

Figure 2: CG Structure in IFIs (Stanley, 2008).

The scope of the Shari'ah governance also covers *ex-post* and *ex-ante* aspects of Shari'ah compliance. *Ex-ante* refers to the issuance of Shari'ah ruling and sharing of related information, while *ex-post* refers to annual and periodic review processes. Figure 3 elaborates on the scope of Shari'ah governance system both in the *ex-post* and *ex-ante* phases. Notably, the process illustrated shows only the generic aspect for the approval of Islamic financial services and its products, which may differ from one IFI to another (Chapra & Ahmed, 2002). Thus, Figure 3 provides a general idea of the Shari'ah governance approach and its wholistic framework under IFIs. The scope includes 8 steps from product initiative to annual Shari'ah review.

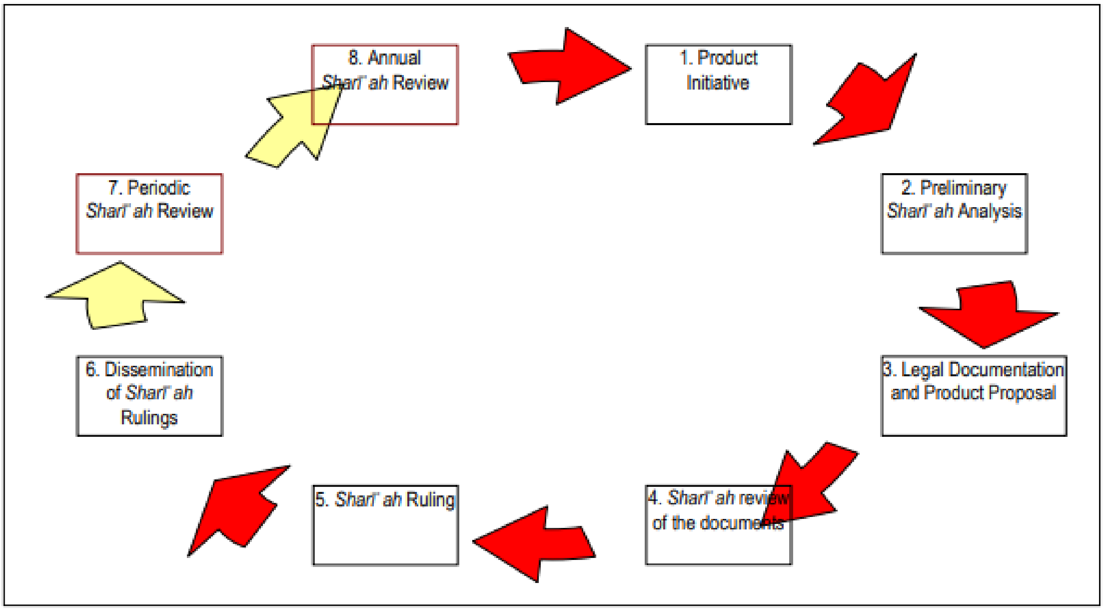

Figure 3: The scope of the Shari'ah Governance Framework (Dar, 2009).

3.4. The Shari'ah Supervisory Board

The current section discusses on SSB elaborating on the conceptual framework upon which they are based. The section also elaborates more on the main purpose of the SSBs and sheds additional light on their governance systems when compared to the conventional governance systems. Further, the chapter explores how the SSBs have been integrated into financial and the banking institutions especially when focusing on the IFIs. Subsequently, the section also presents insights on the role and models of the SSBs, in addition to their internal-external characteristics.

The philosophical framework which informs CG in Islam demands additional insights of governance in efforts to attain Shari'ah compliance. Taking this aspect into consideration, CG in IFIs requires effective institutional arrangements to promote Shari'ah -compliant efforts in the financial sector (Cadbury, 2002). In this section, the conceptual framework upon which Shari'ah compliance is based is discussed, in addition to the institutionalization of the Shari'ah board.

3.4.1. Objectives of the Shari'ah governance system

The objectives of Shari'ah governance model exist because of ensuring compliance based on religious values. The objective entails different procedures and processes which incur involvement and cost of diverse organs in IFIS (Chapra & Ahmed, 2002). Islamic financial instruments need to be genuinely legitimate and comply with Shari'ah principles. In the process, IFIs demand having specialized bodies with experts in Shari'ah, specifically *usul al-fiqh* and *fiqh al muāmalāt* to help banks determine the legitimacy of some Islamic financial products (Ainley et al., 2007). There are various issues involved in the process, including transparency, accountability, reporting structure, and independence of the Shari'ah board (Wilson, 2009a, 2009b). Such considerations are key towards attaining the recommended Shari'ah governance system and hence its credibility and transparency.

Shari'ah governance system also works to promote justice and moderation in all financial transactions. In return, there is more public confidence in IFIs in terms of compliance with Shari'ah principles. Thus, the Shari'ah governance system not only focuses on meeting shareholder need but also promote trust and confidence of the community and the public, who depend on the financial services from these institutions (Cull et al., 2005). Lack of proper governance or control may erode public confidence in the legality and legitimacy of the offered services (Chapra & Ahmed, 2002). A Shari'ah governance system which promotes ex-post and ex-ante compliance models would contribute to improved credibility of IFIs (Choudury & Hoque, 2004). The governance process addresses important risks, such as fatwa rejection and other forms of regulatory and operational regulations.

3.4.2. Institutionalization of the Shari'ah board

Shari'ah governance has been noted to be a relatively new discourse on *fiqh al muāmalāt*. However, the concept of market enforcement and regulation via the institutionalization process had already been practised since the pre-modern Islamic societies and is widely known as *hisbah*. The institutionalization of hisbah was initiated to supervise public morals, where the markets were monitored and regulated by the *muhtasib* (executor) (Abdur, 1984). There are some similarities between Shari'ah governance and hisbah institution, specifically when examining their functions and objectives. Today, the institutionalization of the Shari'ah board can be considered a new muhtasib concept in modern Muslim communities. Uptake of this modified hisbah concept is fundamental in ensuring all operations, transactions, and activities of IFIs attain the principles of Islamic morals and Shari'ah principles.

Underwriting the above considerations, the Shari'ah board, especially at the regulatory level, is a suitable institution in a position to promote muhtasib functions as hisbah institution within the IFIs context. Similar to the hisbah institution in pre-modern Muslim times directing between right and forbidding wrong, strong growth and spread of the Islamic banking sector need specific organisational frameworks to provide code of conduct, guidelines, and suitable behaviour for IFIs (Choudury & Hoque, 2004). Thus, there is a need to emphasise on the Shari'ah board institution and its governance system in IFIs. Shari'ah board commenced around 1976 when Sheikh Saleh Kamel founded the Dallah Al Baraka Group (AbdulRahman, 2010). The Shari'ah board was instituted in Egypt by the Faisal Islamic Bank, and its mandate was to advise the banks on Shari'ah matters. In 1978, the practice then spread to Jordan Islamic Bank and Faisal Islamic Bank of Sudan, later followed by Islamic banks in Kuwait, Malaysia, and Dubai. The practice grew and became modern, although some issues remain in the Shari'ah governance process. Some of these issues include the remit of SSBs, Shari'ah -based products and Shari'ah compliance, disclosure, transparency, confidentiality, conflict of interest, competence, and the board's independence. Considering the diversity of Shari'ah governance approach in IFIs, there is a need to implement a high standard of Shari'ah governance to empower the institution of Shari'ah board to deliver on its mandate in a more effective manner (Choudury & Hoque, 2004).

3.4.3. Role of the Shari'ah Board

The role which the SB plays varies depending on the degree, extent, and nature of Shari'ah compliance amongst different boards. Based on its stakeholder value and foundational dimension, SB has fiduciary duties to all stakeholders of IFIs. Furthermore, the status of Shari'ah compliance largely influences the integrity of IFIs and subsequently defines behaviour towards Shari'ah norms, professional competence, and the impact of products (Ayub, 2007). Thus, the Shari'ah board plays an important role in enhancing and promoting the credibility of IFIs in addition to the authority of fatwa through collective ijtihad (Choudury & Hoque, 2004). Also, the Shari'ah board plays another role as a control where it monitors the operations and activities of IFIs to ensure Shari'ah compliance and ensure *zakah* obligations.

Dawud (1996) shared that the Shari'ah board has an important role in guiding IFIs in setting regulations and policies that are in line with Shari'ah. Besides, SSBs approve their financial transactions from the legal point of view and facilitates their contract formulation in line with Islamic law. Abu Mouamer (1989) shared that SSBs have a proactive role as opposed to a reactive role where in line with its fiduciary obligations, it works to force IFIs management to disclose revenue from unlawful dealings to charities and undertake audits on *zakah* funds. Adballah

(1994) also noted that the Shari'ah board must be proactive and not reactive. Also, the Shari'ah board sets the formula for allocating profits between account holders and shareholders in a fair manner, in addition to ensuring that revenues are from lawful transactions. The Shari'ah board also ensures that IFIs undertake their social responsibilities in the society or community and towards other stakeholders (Adballah, 1994). Banaga et al. (1994) summarize the role of SB into five main areas of calculating and distributing zakah, ex-post audit, ex-ante audit, advising on income distribution and expenses, and disposing of non-Shari'ah compliant income to charity.

3.4.4. Models of Shari'ah Boards

There are three main types of SSBs, which include:

- Shari'ah board consisting of scholars— Consists of judicial advisors mandated to deal with Shari'ah issues.
- In-house Shari'ah department— Include Shari'ah experts who give professional services related to Shari'ah matters.
- Common individuals—Consists of members other than Shari'ah scholars like the case with BNM and SBP (SBP, 2008; BNM, 2008).

In addition, the Shari'ah board may include external and internal boards. In the internal board, there is an in house of IFIs, while in the external boards, the members include national and international participants (Choudury & Hoque, 2004). In some cases, there are agencies that set standards, although they do not issue a fatwa. Instead, they play a part in developing Shari'ah standards and issuing directions on Shari'ah governance such as the IFSB and AAOIFI (AAOIFI, 2005d).

3.4.4.1. Internal Shari'ah Boards

The internal SSBs include two models: individual IFI level and whole group level. First, the SSBs at individual IFI level is the most common practice for IFIs. The model requires the establishment of a Shari'ah board in line with the articles of association. However, the internal Shari'ah structure may vary from one board to the next, where the focus is to determine the nature of governance. In the process, the individual IFI model enables the board to establish its Shari'ah board. Second, for the whole group, the central Shari'ah board focuses on a group of companies. The model is used by the Dallah al-Baraka Group, but it has been noted to be inefficient in most jurisdictions. Part of the concern is that the model is unable to handle several Shari'ah issues from diverse jurisdictions at a single specific time.

3.4.4.2. External Shari'ah Boards

External SSBs are grouped into individuals engaged in Shari'ah advisory boards, Shari'ah advisory firms, international level SSBs, and national level SSBs. First, there are few national SSBs created by the government. Some of these boards are created by securities commission or central bank as evident in Sudan, Pakistan, Brunei, Indonesia, and Malaysia. National SSBs have a common function as the highest fatwa authority for IFIs, and they focus on standardizing and harmonising Shari'ah practices. Their decisions are binding and final (Beng & Ming-Hua, 2009). Second, the international level SSBs include boards formed via the cooperation of several Islamic countries such as the IDB and AAOIFI. The AAOIFI plays different roles compared to national and international SSBs in that it creates and promotes uniform Shari'ah governance practices at the international level (AAOIFI, 2008). Third, Shari'ah advisory firms offer Shari'ah services either at consultative or supervisory capacity. Some of these firms include the Institute of Islamic Banking and Insurance (IIBI), Yasaar Limited (YL), Failaka International (FI), and the Minhaj Shari'ah Financial Advisory (MSFA). These entities are business groups and not part of IFIs since they provide supervisory and consultative services for different aspects of Islamic finance and banking in line with Shari'ah laws. Finally, individuals who take part in Shari'ah advisory roles rarely play a direct role in IFIs. When there is no internal SSBs (Beng & Ming-Hua, 2009), IFIs may seek services from individual Shari'ah experts instead of hiring Shari'ah advisory firms. The practice is common in small-scale first, in the case of Islamic windows, and in non-Muslim IFIs countries (Choudury & Hoque, 2004).

3.5. International Standard-Setting Agencies

The governance and risk management in financial and banking institutions has been achieved through guidelines provided by several agencies such as BCBS, the International Organisation of Securities Commission (IOSCO), and OECD. The OECD gives guidelines on CG, while IOSCO details out capital market governance, and BCBS I and II (BCBS, 1999). However, these standard guidelines have been noted to have shortcomings in addressing specific issues related to Islamic finance (Beng & Ming-Hua, 2009). Since the nature and model of Islamic finance is different from the existing international model, there is a need to have standard-setting agencies that align with the Shari'ah law (Ainley et al., 2007). In the process, the initiative by several IFIs, IFSB, AAOIFI, and several regulatory authorities established Islamic focused international standard settings agencies which are discussed in the next subsections.

3.5.1. The AAOIFI Governance Standards

Over the years, AAOIFI has offered up to 81 guidelines and standards which include 2 codes of ethics, 42 Shari'ah standards, 7 governance standards, 6 auditing standards, and 25 accounting standards (IFSB, 2010). The Governance Standard for IFIs No. 1 includes specifications on the SSB, including its composition, appointment, and report. The standard has 8 parts, which include an effective date, publication of Shari'ah guidelines and rulings, report publication, report on basic elements, dismissal and selection, composition, appointment, definition, and introduction. The standard of governance was developed and adopted by the AASB in 1997, according to AAOIFI (2005).

The most fundamental insights about this standard are presented in Section 2, which contains three essential elements which have an elaborate and detailed definition of the term Shari'ah board. The first provision elaborates in detail that the Shari'ah board exercises a high degree of independence, which is largely composed of professional jurists that are anchored on Islamic jurisprudence. Through this first provision, the banking and financial sector can find important guidelines on how to appoint the members of the Shari'ah board who lack the needed speciality in *fiqh al-muāmalāt*, although they are experts in Islamic finance (Cull et al., 2005).

The second provision further details and gives specific information on the role which SSBs need to play in the corporate sector. Specifically, the role of the Shari'ah board is anchored on promoting corporate compliance in line with the Shari'ah rules where the members of the board have the capacity to supervise, review, and direct all IFIs activities. Finally, the third role of the board is to serve as a binding authority between the IFIs and the boards in efforts to ensure the banks serve the interests of their Islamic customers.

As applies to this study, the important section as applies to this study is section 3 which details about Shari'ah review and points out that it entails an assessment of the capacity of this review in ensuring IFIs are compliant with the Islamic principles of finance (AAOIFI, 2005a). Although section 3 emphasises the authority which the Shari'ah board must obtain every important information required for efficient Shari'ah review, section 5 states that the management has the responsibility of ensuring reviews are done in a manner that is Shari'ah -compliant (AAOIFI, 2005a). However, the AAOIFI is limited in its mandate and scope because the Shari'ah board has a limited responsibility in terms of expressing and forming important opinions about the extent the IFIs have gone to ensure that they have become, or are reflecting, the required levels of Shari'ah compliance (AAOIFI, 2005a).

The third standard for IFIs specifies the operations and guides the process of internal review (AAOIFI, 2005b). Since the management of a company has a duty and responsibility of ensuring necessary Shari'ah compliance, it is important upon the top managers to institute suitable processes that would promote the review process in line with the Shari'ah policies (AAOIFI, 2005b). Even if IFIs are mandated by AAOIFI to undertake Shari'ah review of their internal operations, the specific requirements which companies fail to promote the establishment of separate internal audit department which supports Shari'ah reviews are largely lacking. The review process inside the company, however, can be undertaken by either party of the internal audit department or by an independent division (AAOIFI, 2005b).

Further, the guidelines which have been given by the internal Shari'ah review by the AAOIFI places more emphasis on the need for these reviews to be fulfilled both independently and in a manner that is in line with the IFIs auditors and the accountants' code of ethics. The BOD and the management have a task to give continuous and comprehensive support to the internal reviewers in close observation of the Shari'ah standards (AAOIFI, 2005b). Specifically, the head of internal Shari'ah review processes is directly accountable to the board of the specific corporation under assessment. Considering the fact that the internal Shari'ah review process is a unique aspect to the traditional processes used in company auditing, there is a need to ensure that the reviewer who oversees the internal reviews need to have highest levels of proficiency, in addition, to have the necessary training and suitable academic background essential to achieve the needed Shari'ah review standards (AAOIFI, 2005b). Specific qualifications required for this process need to reflect proficiency in fiqh al muāmalāt and Shari'ah laws. In addition, the structure of reporting specifies that the person overseeing the internal reviewing process need to deliberate on the obtained results with the management (AAOIFI, 2005b). Once all the discussions have been held between the internal reviewer and the management, the final report must be presented to the board, and a copy of it left to the management and the Shari'ah board. In the event of any disputes between the internal Shari'ah reviewers and the management, the teams should present their grievances to the Shari'ah board for further assessment and verdict (AAOIFI, 2005b).

Governance Standard for IFIs No. 4 elaborates more on standards which regulate the governance and audit committee. The standard advocates the need to create a CG framework for IFIs based on audit and governance aligning with Shari'ah law. The standard was adopted in 2001 by the AASB (AAOIFI, 2005c). According to AAOIFI, companies need to create an Audit and Governance Committee (AGC) in their boards, a move which AAOIFI perceives to be important if corporations are to complement their CG frameworks (AAOIFI, 2005c). The composition of the AGC is proposed to comprise of at least three important members as previously noted, which include the members that have been appointed by the BOD from both the independent members of the board to the executive members of the board (AAOIFI, 2005c). In their qualifications, these members need to have the relevant knowledge concerning the applicable laws and regulations in addition to the institutional affairs, all which must be anchored on the Shari'ah principles and rules (AAOIFI, 2005c).

Considering that the AGC largely influences and oversees the activities of both the BOD and the Shari'ah board, it has precise functions of conserving the legality of the financial processes and reports, ensuring the stakeholder interests are taken care of, giving any additional insurance on the information authenticity, and serving as an independent connection between the stakeholders and the management (AAOIFI, 2005c). Thus, it remains clear based on the AGC to conduct internal control reviews, audit plans, accounting processes, complying with Shari'ah rules, financial reports, annual and interim accounting, and applying restricted accounting investments in line with the IFIs auditors and the codes of ethics for accountants as pronounced by AAOIFI (AAOIFI, 2005c). In addition, the final AGC report needs to be submitted to the board and a copy of the same be addressed to the CEO of the company (AAOIFI, 2005c).

Governance Standard for IFIs No. 5 defines the independence of the SSBs and mechanisms aimed at resolving potential issues emerging from the board's independence. The standard was adopted in 2005 by the AASB (AAOIFI, 2005d). The standard is composed of 9 sections, which also has an appendix that details potential issues that might contribute to compromise and result in impaired board independence. For the company to win over public support and trust in their products and services, there is a high need to promote and exercise the independence of the Shari'ah board (AAOIFI, 2005d). In section 3, the Shari'ah board is restricted from subordinating its judgement received from the Shari'ah supervision committee to third party members. The standard cautions against using IFIs employees in the Shari'ah board and the same applies to exclude the employees from operational decisions and managerial responsibilities. Importantly, the Shari'ah board is largely expected to undertake a regular and continuous evaluation of the IFIs, and engage in everything within its capacity to address any potential issues that might contribute to compromising with the board's independence.

3.5.2. The IFSB Guiding Principles

IFSB is another standard-setting body with the focus of supporting Islamic finance in terms of promoting uniformity, standard, and databases of practice, research, training, guidelines, and regulations. The IFSB does not have a Shari'ah board since it plays a diverse role to external and internal SSBs. Also, IFSB does not issue fatwa or rulings concerning the Islamic finance and banking (IFSB, 2008). A major role that IFSB plays include creating different standards and offering recommendations for their regulatory guidelines, supervision, adoption, encourage cooperation among parties, establish a database for members in the Islamic industry, undertaking research, and facilitating development and training (IFSB, 2008). To date, IFSB has issued 10 guiding principles for IFIs: 2 of the principles are on capital adequacy needs, 1 on risk management, and 7 on supervisory and disclosure review process, and governance.

However, the need to have in place Shari'ah governance mechanisms has not been comprehensive in terms of thorough assessment under IFSB-1 and IFSB-5, where both focus on establishing suitable institutional and policies arrangements in managing operational risks. As a result, this raises some risks which include Shari'ah risks in addition to specifying mechanisms of supervisory review processes (Nathan & Ribiere, 2007). Moreover, the IFSB-3, 6, and 8 are formulated to specify standards for IFIs, Islamic collective investments, and Takaful, respectively.

The earlier guidelines, however, address the general frameworks of CG but fail to specify its relevance when focusing on exclusive matters on Shari'ah (IFSB, 2008). Considering this shortcoming, the IFSB initiated IFSB-10, which focuses on addressing the issues related to Shari'ah governance models in IFIs. Table 2 presents the basic elements in the IFSB-10 in efforts to promote the best practice based on competency, independence, confidentiality, and consistency of the IFIs.

Table 2: Key Elements of Shari'ah Governance in the IFSB-10 (IFSB, 2009).

Key Element	Principle	Operational Framework
Competence	Fit and proper criteria	*Ex ante*: Screening process *Ex post*: Review and assessment
	Professional training	
	Formal assessment	
Independence	Adequate capability to exercise objective judgment	*Ex ante*: Appointment, disclosure and full mandate *Ex post*: Review and assessment
	Complete, adequate and timely information	
Confidentiality	Strictly observe the confidentiality	*Ex ante*: Undertaking secrecy *Ex post*: Review and assessment
Consistency	Fully understand the legal and regulatory framework strictly observes the said framework	There must be consistency in all *ex ante* and *ex post Sharīʿah* governance processes

Although the governance framework upon which Shari'ah is based and the IFSB-10 often appear to take care of most aspects dealing with the Shari'ah compliance principles, researchers express that the process of covering the compliance level has not substantially been by merely invoking some components required to realise an optimal Shari'ah system of governance (Nathan & Ribiere, 2007). To this level, the regulatory authorities have a duty of determining how IFSB-10 is adopted, and this guidance framework on Shari'ah governance approach has been strongly recommended. However, the literature reveals that there may be some possible inconsistencies between the AAOIFI governance standards and the IFSB-10 guiding principles and that this level of divergence needs to be addressed. For example, considering the possibility that some jurisdictions like Qatar, the UAE, and Bahrain have in their framework implemented the AAOIFI standards, other jurisdictions have largely remained reluctant and the IFSB-10, therefore, appears to be less relevant to such countries. Moreover, it appears that the IFSB-10 does not provide enough framework relevant in terms of the various financial sectors seeking to practice Shari'ah principles. Since the trend of the Shari'ah advisory firms is expected to increase in future, it becomes a matter of importance to formulate and institute in place guidelines and principles which define and elaborate on such practices.

3.5.3. Comparative Analysis between IFSB and AAOIFI in Shari'ah Governance Guidelines

While IFSB extensively provides a critical and essential definition of Shari'ah governance, the AAOIFI fails to provide a similar definition of what constitutes effective Shari'ah governance, especially with IFIs (IFSB, 2009). Considering the qualitative importance of Shari'ah board characteristics, there is a need to ensure that the two guidelines emphasize and discuss on the confidentiality, accountability, responsibility, competence, and independence of the SSBs (Mediawati, 2016). However, AAOIFI guidelines fail to take these issues into consideration. Furthermore, the importance of audit functions and Shari'ah review have been pointed out and outlined in the IFSB guidelines, but the AAOIFI framework discusses them in more detail (Hasan, 2010). Another important aspect is that both IFSB and AAOIFI fail to mention or explore the issues of Shari'ah research functions and approaches they can use to reduce poor decisions which can result to lending risks within IFIs (Mediawati, 2016). Table 3 summarizes the differences evident between IFSB and AAOIFI guidelines.

Table 3: Comparative analysis among Shari'ah governance guidelines by AAOIFI and IFSB

Topic of Discussion	IFSB	AAOIFI
Mitigating poor decisions and lending risks	Not outlined in its guidelines	Not outlined in its guidelines
Research functions of SSBs and BODS	Not outlined in its guidelines	Not outlined in its guidelines
Definition of Shari'ah governance	Provided in its guidelines	Not provided in its outlines
Responsibility, competence, and independence of SSBs	Discussed in its guidelines	Discussed in its guidelines
Shari'ah audit and Shari'ah review	Discussed in its guidelines	Discussed in its guidelines

3.5.4. The SSB Governance Process

The Shari'ah governance process focuses on issues that are instrumental in promoting the operations of the board. The current section discusses issues related to appointment, composition, and qualification of the Shari'ah members.

3.5.4.1. Appointment

In modern practice, the appointment of the Shari'ah members is made by shareholders during annual general meetings. The appointment can also be made by BOD. In the IAIB document, the independence and freedom of the board can be ensured when the personnel in the bank are not exposed to the authority of the BOD. Also, the AAOIFI notes that shareholders have the power to appoint members of the Shari'ah board during the AGM, but the BOD lacks the same authority. Such an approach ensures the independence of the Shari'ah board is realised (Bakar, 2002). That is, the BOD does not have the power to dismiss or appoint members. Instead, the power is vested in the shareholders. The Shari'ah board can take part in the BOD meetings to examine the religious aspects of the appointments made by the shareholders during AGM (Nathan & Ribiere, 2007).

3.5.4.2. Composition

Today, the Shari'ah board consists of Shari'ah scholars who are mainly experts in *usul al-fiqh* and *fiqh al muāmalāt*. At the international institutions and national levels, the Shari'ah board is consisted of leading regional and internationalist scholars. In contrast, SSBs of individuals have local and regional scholars with some having international experience serving in SSBs. Most IFIs are mandated to appoint 3 to 6 members on their Shari'ah board. In addition, AAOIFI Shari'ah consists of not more than 20 members elected by a Board of Trustees in a 4-year term among the Shari'ah scholars. In its requirements, AAOIFI governance directs that at least 3 members at IFI level are included as commonly practised in Malaysia, the UAE, Lebanon, Jordan, Dubai, and Bahrain (Ayub, 2007).

3.5.4.3. Qualification

Emphasis on the qualification of the members of the Shari'ah board is based on the need to have expertise on Shari'ah and law, especially in areas of *usul al-fiqh* and *fiqh al muāmalāt*. The focus is informed by the mandate of the Shari'ah board, which largely deals with matters related to financial and commercial transactions (Bakar, 2002). Both the IFSB-10 and AAOIFI governance models allow the appointment of experts in *usul al-fiqh* and *fiqh al muāmalāt*. The focus is to strengthen the Shari'ah board to understand and assess banking businesses and their operations, like operations by BNM and SBP. In both cases, the SSBs of the BNM and SBP are composed of experts from diverse fields, which include central bankers, judges, lawyers, chartered accountants, and Shari'ah scholars (SBP, 2007). In addition, SBP also has in place strict conditions on the qualifications of Shari'ah board members which include a minimum of 2nd class Bachelor Degree in Economics or in Takhassus Fil Fiqh (SBP, 2007; Peters, 2003). The board members also need to have good knowledge of English and Arabic languages to enable the board to adhere to higher standards of practice as applies to Shari'ah governance in IFIs (Choudhury & Malik, 1992; Choudury & Hoque, 2004).

3.5.5. The Shari'ah Compliance Process

The current section discusses the Shari'ah compliance process, including existing standard guidelines for Shari'ah governance in terms of post ante and ex-ante auditing, product approval, and management. Some of the important concerns which emerge when considering the Shari'ah compliance process include Shari'ah coordination, compliance review, and Shari'ah report.

3.5.5.3. Shari'ah Coordination

An effective Shari'ah governance system is anchored on Shari'ah coordination, and this is essential in the same manner the company secretary is to the BOD. As such, the Shari'ah plays a role as a secretary or liaison officer who coordinates the entire Shari'ah governance process to include interaction with the various organs of governance such as external and internal review, and the Shari'ah board (Dar, 2009). A number of Shari'ah coordination models exist which can be classified into:

- An internal Shari'ah liaison office,
- External Shari'ah coordination as an advisory firm,
- External Shari'ah coordination,
- Shari'ah coordination department,
- Shari'ah compliance officer, internal Shari'ah coordinator,

- Shari’ah coordinator, who is a secretary to the SB (Dar, 2009).

The common practice, however, is to have a Shari’ah coordinator who is often a Shari’ah compliance officer or the secretary of the SB. In most IFIs, the Shari’ah compliance officer not only plays a coordinating role but also handles the Shari’ah review process.

3.5.5.2. Shari’ah Compliance Review

Different from conventional banks, IFIs are mandated to undertake the Shari’ah review process for ensuring that every transaction conforms with Shari’ah principles. The SB examines the capacity of Shari’ah compliance their products, business transactions, and other activities, and undertakes compliance review using an independent internal Shari’ah auditor (Choudhury & Malik, 1992; Choudury & Hoque, 2004). The process takes place as part of the internal audit-based process in line with Shari’ah rulings and instructions from the board (Banaga et al., 1994). The SB is normally assisted by the internal audit unit, which helps in assessing the compliance standards in IFIs. The primary objective of the Shari’ah review is to promote compliance with Shari’ah principles and rules to align with rulings and instructions by the SB. In addition, AAOIFI governance standards stipulate several procedures for Shari’ah reviews, including reviewing working papers, executing review procedures, and planning review procedures (AAOIFI, 2005a). However, there is no standard format for the Shari’ah compliance report or Shari’ah review procedure. The Shari’ah review process takes into consideration issues of a product review, product implementation, product testing, product documentation, product design, and product conception (IFSB, 2008).

3.5.5.3. Shari’ah Report

Shari’ah governance works towards promoting true and fair disclosure and transparency of financial transactions of the IFIs. Thus, the fundamental concept of governance in IFIs is to provide accurate insights and true disclosure in a manner that meets Shari’ah accountability. As applies to the SB, the process denotes the ability to generate Shari’ah reports either periodically or annually (Banaga et al., 1994). In most cases, expectations are put in a manner that the SB as to generate reports detailing IFIs services and duties, as well as financial activities. Generally, the Shari’ah report is submitted to the BOD (Choudhury & Malik, 1992; Choudury & Hoque, 2004). In the annual report, the information contained in the Shari’ah report includes services and duties of the IFI, declaration of Shari’ah compliance, SB’s activities, and fatwa issuance (Banaga et al., 1994). According to Haniffa and Hudaib (2007), the Shari’ah report needs to contain additional information such as a number of meetings held, remuneration and pictures of the SB, names, and disclosure on the defects in offered products. Also, the Shari’ah report needs to include the signature of all board members, declaration of Shari’ah compliance, assessment of the documents, and actions taken by the management. Besides, the Shari’ah report needs to reflect the specific format proposed by the AAOIFI governance standards (Banaga et al., 1994).

3.5.6. Critique of SSBs

The literature has largely questioned the effectiveness of SSBs from multiple points of views. The focus of this section is to discuss some of the concerns which have arisen as applies to the effectiveness of SSBs is discharging their mandates within IFIs. Some of the main critiques of SSBs emerge from issues such as SSB independence, competency, and conflict of interest, disclosure, and transparency, Shari'ah -compliant versus Shari'ah -based consistency, and remit of different institutions.

3.5.6.1. SSB Independence

As previously noted, the literature has widely debated issues of SSB. A primary concern regards the remunerations which the SSB receive from the IFIs, and this appears to be a concern in terms of potential conflict of interest. That is, the SSB members may be tempted to legitimize dubious and unlawful operations to ensure that they retain their jobs within the board and continue receiving their remunerations (Rammal, 2006). Having this in mind, it is elaborate to assess and improve the process used in appointing the members of the Shari'ah board. Some researchers advocate that the independence of the SSB can be achieved by promoting shareholder-based appointments (Choudhury & Malik, 1992; Choudury & Hoque, 2004). However, some scholars note that shareholder selected board can still be influenced by the BOD and may end up not being fully independent. To address these concerns, Grais and Pellegrini (2006) proposed that the independence of the SB can be achieved through three ways:

- Defining the powers and responsibilities of the SB in all the articles of association,
- Granting the board enough powers such as audit responsibilities, organisational status, and
- Providing enough authority to the SSB, like the one enjoyed by independent directors of the audit committees.

3.5.6.2. Competence, Conflict of Interest and Confidentiality

The competency levels of the SSB need to align with the requirements of Islamic banking practices. Training and other qualifications in commercial law and Shari'ah law need to be taken into consideration in addition to years of expertise in Shari'ah, economics, and law (Bakar, 2002). However, studies conducted on 41 SSBs noted that only 9 people had training in Islamic law whole 60% did not study religious subjects (Abomouamer, 1989). The results reveal that when it comes to competency, there are issues which emerge due to diverse qualifications and criteria in selecting members of the SSB. Therefore, it becomes evident that the members of the board and their selection process is not well coordinated; neither does it reflect any specific curricula for their selection (McMillen, 2003). In the process, this can affect the effectiveness of the SB and its functions, especially resulting in confidentiality issues related to their capacity to issue concrete and solid Shari'ah rulings since they may lack necessary training and knowledge and expertise in Shari'ah. Thus, suitable qualifications are essential in determining the level of competency in the SB, which also ensures that the members are aware of avoiding any conflict of interest.

3.5.6.3. Disclosure and Transparency

Another fundamental element of effective SSB is transparency and disclosure. In most IFIs, transparency is the foundation of all operations and compliance with the Quran and Shari'ah, which forbid evidence concealing. The operations are also in line with the IFSB standards which require IFIs to ensure their non-financial and financial reports attain specified demands of the internationally recognized accounting codes and the need to comply with all Shari'ah laws and principles (IFSB, 2006). Based on the various Shari'ah governance practices, it remains clear that the information needed is minimal now, even information of Shari'ah resolutions is hard to access for public viewing. Therefore, more disclosure and transparency are required from the IFIs in the future.

3.5.6.4. SSSB-Compliant versus SSB-Consistency

Over the years, there have been criticisms over the existing practices in Islamic finance on SSB-compliant and SSB consistency. Researchers point out that there are no variations between a product being compliant and consistent. If the product is deemed to be SSB-compliant such as being interest-free, eliminates uncertainty, gambling, and align with the stipulations in the contracts (*Aqd*), then the product can be said to be SSB-compliant or SSB-based tolerant (ISRA, 2009). In contrast, Dar (2009) pointed out that the SSB-based approach entails a combination of two processes which are focused on fulfilling social responsibilities and Shari'ah principles. Further, Dar (2009) characterized Islamic financial products as Shari'ah -compliant or Shari'ah -tolerant based on their level of compliance with Shari'ah laws. Often, the SSB-based approaches require IFIs to only focus on the compliance aspect of the Shari'ah law in addition to fulfilling the social responsibilities.

3.7. The Saudi Islamic Banking Legal Structure

3.7.1. Introduction

The current section seeks to explain different issues that relate the Saudi Islamic banking focusing on the Saudi Kingdom, primary sources of Shari'ah and their secondary sources, in addition to the basic laws. The application of the basic laws to the banking and financial sector are detailed, in addition to authorities with the mandate to regulate and supervise the Islamic banking sector in Saudi Arabia.

3.7.2. Overview of Saudi Arabia

Saudi Arabia has long been regarded as the birthplace of Islam, and it hosts two holiest shrines in Mecca and Medina. The Kingdom of Saudi Arabia was established by King Abdulaziz in 1932, and it lies south-west of Asia. The total land area is about 2.25 million km^2, with a population of about 27 million and 8.4 million foreigners. The country has thirteen provinces (mintaqah) where each of the provinces is governed by a member of the royal family. Islam is the official religion, and the country's capital is Riyadh with its rulership based on the monarchy. The official title of the King is the custodian of the Two Holy Mosques, and he fills the two roles as a head of state and prime minister. The Saudi constitution is anchored and founded on the Shari'ah with ideas derived from the Quran and the Sunnah. As discussed in the subsequent sections, the Quran and the Sunnah are the primary sources of Shari'ah, while the secondary sources include Islamic scholarly consensus and analogical reasoning are considered secondary sources of Shari'ah. All administrative regions are governed by the primary sources of Shari'ah where interpretations are made by judges (Qadis) who have obtained their skills and knowledge from Islamic schools (Hanbali madhhab) of jurisprudence. The same interpretations are applied across the Saudi courts.

3.7.3. The Definition of Shari'ah

Shari'ah is considered to be an asset of rules and provisions that govern each aspect of a Muslim's life. According to Mawil (2004), Shari'ah is not a law but a guide that covers all aspects of individual lives across the Muslim world; may it be economic, political, social, cultural, or religious. The provisions of the Shari'ah laws are derived from the Quran in addition to the sayings pronounced by Prophet Muhammad. The provisions include 5 different pronouncements:

- Obligatory (*wajib* or *fard*)— it spells out the mandatory requirements which, when omitted amounts to punishment (Al-Sadr, 1982).

- Desirable (*mustahab* or *mandub*)— Actions which are rewarded, but when omitted, they are not punished (Al-Ghazali, 1937).
- Indifferent (*mubah* or *jaiz*)— actions that are permitted and to which laws remain indifferent (Al-Sadr, 1982).
- Undesirable (*mukruh*)— Actions that are disapproved but not considered a punishable offence, though their omission is rewarded (Al-Sadr, 1982).
- Forbidden (*haram*)—Actions that are strictly forbidden and punishable (Al-Sadr, 1982).

3.7.4. The Legal Sources of Shari'ah

Muslims believe that Shari'ah defines and regulates each aspect of their life, whether personal, economic, social, and political. Shari'ah is driven from the Quran (Hadiths) which are largely sayings of righteous Salaf, and jurisprudence of Islamic clerics which serves to control people, the society, and the universe. Shari'ah guides the people on what can be done and what needs to be prohibited (Mawil et al., 2004). In the event of a dispute, Shari'ah is applied, and its provisions are derived from both primary and secondary sources as further discussed in the subsequent sections (Yoko et al., 2009).

3.7.5. The Primary Sources are the Quran and Sunnah

3.7.5.1. The Quran

The most important source for Muslims is the Quran, and it governs the life of Muslim aspects such as legislation (Abdur, 1984). The central belief is that Allah sent the Quran in the night of the Ramadan to Prophet Mohammed. To date, the Quran is the main source of the organisation and structure of Islamic banking. In most cases, it has divine injunctions which prohibit interest and usury, and it elaborates how commercial interests must be written, with their signings occurring before two witnesses. Since the Quran is believed to be a word of God, it has been widely applied in all aspects of IFIs.

3.7.5.2. The Sunnah

After the Quran, the Sunnah is the second primary source having been established in Mecca by Prophet Muhammad. Since Allah talks about Muhammad in the Sunnah, Muslims believe the Sunnah in a similar manner to the Quran since its origin is from Allah (Beng & Liu, 2009). The Sunnah contains different sayings the prophet made on various occasions and for multiple purposes. In most cases, the Sunnah is used in interpreting Quran verses and presents objective meanings of its divine prohibitions and injunctions (Abdur, 1984). Moreover, the Sunnah governs Muslim lives in every aspect, including issues on financial transactions. Some of the commercial applications are the sale of items not available at the time of a contract or offer to buy something already reserved for another person (Mohammad, 1989).

3.7.6. The Secondary Sources are Ijma and Qiyas

3.7.6.1. Ijma

Ijma serves as one of the minor sources of Shari'ah. Specifically, it comes after the Quran and Sunnah implying that it is the third source of Islamic legislation. Compared to the Quran and Sunnah, Ijma is not deeply divine but serves as a rational proof. That is, Ijma provides consensus in agreement and opinion between Muslim scholars, making it a unanimous agreement (Mawil, 2004). However, its limitation is that at times, there is a lack of consensus among Muslim scholars. The Ijma concept is based on the unanimous agreement of Muslim scholars on a given issue at a given period of time (Mawil, 2004). In some cases, it serves as an independent source of Shari'ah in addition to the Quran, Sunnah, and Qiyas based on most jurists (Peters, 2003).

3.7.6.2. Qiyas

Qiyas refers to the act of comparing something to another of a similar kind. The comparison began during the time of Prophet Muhammed and continues to date (Abdur, 1984). An essential aspect about the Qiya is that it is based on the analogy of existing laws if the rationale or basis of the two things are similar. In its entirety, Qiyas is considered the source of Islamic jurisprudence and the tools of ijtihad. Other sources of Shari'ah such as Istihsan (preferable), *Istishab* (legal presumption), *Istislah* (public interest, *Urf* (custom), and *Ijtihad* (self-exertion). These sources are applied in personal interpretation to avoid injustice and stagnation, which may result from the literal use of Shari'ah. Diverse views have resulted in the development of Islamic jurisprudence so that it can be used when facing new events either at the moment or in the future.

3.7.6.3. Islamic Schools (madhhab)

The Sunni schools started during the early years of Islam mainly following the death of Prophet Muhammed. Some of the reasons were the spread of Islam and exposures to diverse issues, legislations, and religions. Moreover, considering the historical situation encountered at the time, there was a need to resolve contentious issues and to meet growing demands among people concerning their questions. In the process, a group of scholars was formed to educate the people. In Islam, madhhab refers to four Sunni schools of jurisprudence with every school driving its provisions from evidence drawn from primary sources which are Sunnah and Quran in line with the principles and rules of Islam.

3.7.6.4. The Hanafi School (690 –760)

Hanafi falls under the madhhab as one of the Islamic schools and represents one of the oldest schools and also most flexible. The school derives its name from Abu Hanifa who founded it where its doctrine was established in Baghdad, Iraq. Primarily, the school's jurisprudence is driven from the Quran, but when there are contentions, the Hanafi school examines other distinguished sources such as the Sunnah to support the proposed ruling. In the event that the ruling is still deficient, the school employs secondary sources like Istihsan, Urf, ijtihad, Qiyas, and Ijma. Today, this school has been widely established in Morocco, the Levant, Egypt, Iraq, India, Bangladesh, Afghanistan, Pakistan, and Turkey.

3.7.6.5. The Maliki School (711–795)

Sunni Muslims follow the Maliki School as second out of the four schools of Islam. Its formation was established by Malik ibn Anas in Medina based on his sincerity in his quest for knowledge. Such an interest propelled him to become one of the greatest Fiqh scholars in the Sunni world. Similar to other schools, the Malik school is based on the key principles of Fiqh except that priority is assigned to Qiyas over weak Sunnah (Hadith). Most Malik schools are concentrated in Tunisia, Algeria, Libya, Kuwait, Bahrain, Abu Dhabi, and Dubai.

3.7.6.6. The Shafii School (767–820)

A third Sunni school is the Shafii which was founded by Imam Shafii in Ghazza. The principles of this school are derived from the Quran, and they incorporate sayings by Prophet Muhammed in addition to secondary sources such as Qiyas (analogy) and Ijma (consensus). Ijtihad, Istihsan, and Istislah, however, were rejected by Imam Shafii who preferred Ijma. In terms of followers, the Shafii School comes second with up to 29% of the Muslims across the world following it. Some of the countries that follow it include Somalia, Yemen, Sudan, Ethiopia, Indonesia, and Malaysia (Abo, 2010).

3.7.6.7. The Hanbali School (781–855)

The last school is the Hanbali that was founded by Imam Ahmad, who learned from Imam Shafii, and the two schools were closely related. The principles of the Hanbali School includes Qiyas, Ijma, Sunnah, and Quran. Compared to other scholars, Imam Ahmad had diverse views about Qiyas since he would consider it when there was an urgent necessity. In addition, Imam Ahmad accepted sayings of a single companion and supported Ijtihad, although he rejected insights from Taqlid scholars (Visser, 2009). Of the four schools, Hanbali is the most conformist and most flexible when considering commercial questions. The school is spread in Qatar and Saudi Arabia, and applied in Saudi courts. One of the most distinctive features of this school is the prohibition of interest in Islamic economics (Emad, 2006).

3.8. Basic Laws of Banking and Financial Activities in Saudi Arabia

Saudi Arabia has three basic laws of banking and financial activities. These laws include the Banking control law (BCL), the Capital Market Law (CML), and the Law of Supervision of Cooperative Insurance companies. The subsequent subsections summarize these briefly outlines and discusses these laws.

3.8.1. The Banking Control Law (BCL)

The BCL was issued under the Royal Decree No. M/5 in 1966 and considered the main regulation used in all financial and banking services in the Saudi Kingdom (Faleh Al-Kahtani, 2013). The law empowers the SAMA board to supervise and regulate Saudi Banks and, in the process, serve in safeguarding the Banking sector in Saudi Arabia. In Article 3 of BCL, all applications with intentions of undertaking banking operations needed to be addressed to the SAMA. Some of the specifications and mandate of the BCL includes determining foreign exchange transactions, bills of exchange, discounting bills, promissory notes, payment orders, collection and payment of cheques, issuing letters of guarantee, opening letters of credit, current accounts, capital adequacy, and confers licensing powers in all banking businesses.

3.8.2. The Capital Market Law (CML)

The CML was issued following a Royal Decree No. M/30 on July 30th 2003. Its primary focus was to develop and regulate the Saudi financial market by streamlining procedures that would mitigate potential risks associated with transacting in securities (Zulkifli, 2010). Regulations under the CML offers the CMA broad powers aimed at regulating the issuance of securities, in addition to monitoring and dealing with them (Zulkifli, 2010). Also, the CML protects investors and citizens from unsound and unfair practices in the Securities market, including malpractices like manipulation, cheating, deceit, or fraud (Zulkifli, 2010). Therefore, CML has a mandate of promoting efficiency, fairness, and transparency in the capital market transactions in Saudi Arabia.

3.8.3. The Law of Supervision of Cooperative Insurance Companies

The law was approved following a Royal Decree M/32 in 2003, which created a legal framework of the cooperative insurance companies in the Kingdom (Al Elsheikh & Tanega, 2011). The subsequent implementation regulations were later issues in a Ministerial Decision No. 1/596 in efforts of regulating the insurance sector. Both the cooperative insurance law and the subsequent implementing regulations gave SAMA diverse powers including controlling and policing the Saudi insurance sector, supervising, and regulating insurance market, licensed insurance professionals and insurance companies (Emad, 2006). Thus, SAMA plays an important role in regulating the cooperative sector across the Saudi Kingdom. The main objective of this law is protecting shareholders and policyholders, promoting stability in the insurance market, and promoting fair and effective competitiveness in the insurance market.

3.9. Authorities responsible for the regulation and supervision of Islamic Banking and Financial Activities in Saudi Arabia

There are two authorities in Saudi Arabia responsible for supervising and regulating Islamic banking and financial services, as well as the Islamic Sukuk, and cooperative insurance. The two bodes include the Capital Market Authority (CMA) and the Saudi Arabian Monetary Agency (SAMA).

3.9.1. The Saudi Arabian Monetary Agency (SAMA)

The SAMA was created in 1952 under two Royal Decrees (No. 30/4/1/1046 and No. 30/4/1/1047) as the central bank of Saudi Arabia. Its governance is based on the BODs with a Governor, Deputy Governor, and three members who are appointed to a term of 4 years by the King under a Royal Decree. Different from Malaysia, there is no independent SB in Saudi to supervise and regulate Islamic financial and banking activities. Today, the SAMA supervises and regulates IFIs which are involved in financial and banking activities in close association with banks under the BCL of 1966 (Jabbar, 2009; Kabir et al., 2011; McNulty et al., 2011). In addition, the SAMA supervises and regulates the cooperative insurance companies under the Law of Supervision of Cooperative Insurance Companies of 2003, and its executing regulations of 2004.

3.9.2. The Capital Market Authority (CM)

The CMA was created under Article 4 of CML following the Royal Decree No. M/30 of 2003. Its main objective is to develop and regulate the capital markets of Saudi Arabia. The CMA is largely independent and directly connected to the Prime Minister with administrative and financial autonomy. The CMA is governed by a board of full-time members appointed by the King in line with the Royal Decree. Additional functions of the CMA include developing and regulating the Saudi capital market in line with the CML (Jabbar, 2009; Kabir et al., 2011; McNulty et al., 2011). Further, the CMA oversees the issuance of securities and monitors the issued securities, including issuing Sukuk (Yoko, 2009; Al Elsheikh & Tanega, 2011). In the process, CMA ensures there is a suitable environment of running a stable security market by boosting investor confidence, and protecting dealers and investors (Kabir et al., 2012).

3.9.3. Differences Between IFIs and Conventional Banks

The design of CG in IFIs model has unique features compared to conventional banks. Further, the CG has distinctive features that are different from the ones used in conventional banks which are largely based on the Anglo-Saxon model and/or the European model (Ullah, Harwood, & Jamali, 2018; Williams & Zinkin, 2010). The literature concurs that the two models and diverse, and in the case of the IFIs, the CG is classified into four aspects: capital-related ownership structures, management board, nature of management, and corporate objective. Thus, the literature indicates that several variations exist between CG principles and structures of non-Islamic financial bodies and corporations when compared to their Islamic counterparts (Hayat & Hassan, 2017; Mejia, Aljabrin, Awad, Norat, & Son, 2014). In the CG principles on Islamic governance, Shari'ah rules are embedded in al-Sunnah and al-Quran and in the processes, this makes IFIs market-driven in addition to the emphasis to uphold mutual principles of social justice (Azmat, Skully, & Brown, 2015). Unlike the conventional banks where ownership is based on shareholders, the rights to sage, acquisition, ownership, and disposition of property in IFIs is considered a property (al-mal) with beneficial value and use for stakeholders (Hassan & Aliyu, 2018). Further, rights of property ownership under Islam are attributed to Allah as humans are just custodians and trustees, and this compels IFIs to manage property in line with Shari'ah rules (Gözübüyük, Kock, & Ünal, 2018). As such, the Islamic CG is anchored on the Tawhid epistemological model where the functional roles of all IFIs work under Shari'ah rules as opposed to conventional banks where CG is based on the Anglo-Saxon and European models as discussed under section 2.4. The primary principles of the Tawhid epistemology model are based on the concepts of equilibrium or justice (*aladl wal Ihsan*), trust (*amanah*), and viceregency (*khilafah*) (Choudhury & Hoque, 2006; Williams & Zinkin, 2010).

First, conventional banks are largely based on the Anglo-Saxon model which emphasizes close engagement between investors and financial institutions, with short-term returns being the primary focus (Ullah, Harwood, & Jamali, 2018). Thus, the conventional CG model is based on the concept of fiduciary association between managers and shareholders which is anchored on profit-oriented motives (Bassens, Derudder, & Witlox, 2011; Bulliet, 1976; Farag, Mallin, & Ow-Yong, 2018). A key distinctive aspect of the Anglo-Saxon model compared to the Islamic CG model is the ownership structure shares are widely distributed and the influence that shareholders have on the management is often weak. Another unique aspect about the CG structure in conventional banks is that the primary interest is the need by the CG to protect the rights and interests of the shareholders (Farook & Farooq, 2013; Garas & ElMassah, 2018). Nonetheless, control over the top management behaviour is exerted via different forms of debt and by the bank. In the event of distress, the incentive of debtors to influence bank behaviour is informed largely by their rights. Thus, this means that in the conventional banking model, bankruptcy laws are the primary components.

However, over the recent years, academics, regulators, creditors, and shareholders have proposed the need to streamline decision-making approaches in conventional CG models to enhance efficiency, transparency, and independence (Platteau, 2008). Even so, most insights are drawn from a large body of literature in unregulated and non-financial institutions (Platteau, 2008). Information drawn from such sources is largely lacking because they are largely different from financial institutions which are strictly regulated. In the banking sector, the BOD is placed in an important role in terms of its governance structure although they bear similar legal obligations as other boards, but with additional expectations placed on them by regulators. The additional expectations come in terms of regulations, guidance, or laws and they serve to reflect interests played out in sound and safe institutions (Pollard & Samers, 2013. Following the 2008-2009 financial crises, the most hit institutions were the non-Islamic financial bodies and banking groups. The observed trend indicates that there are some factors in the IFIs CG which serve as a sort of insulation for Islamic institutions, which only experienced minimal sub-prime crisis during the 2008 global economic meltdown (Grassa & Matoussi, 2014).

In the context of IFIs CG, there is a limited number of researches which has been focused on developing an alternative corporate model. Initial findings by studies by Hamza (2013) and Obid and Naysary (2014) indicate that Islamic institutions have adopted a different model of CG unique from the European and Anglo-Saxon models as an alternative governance framework. The Islamic CG models are based on the principle of consultation where the primary focus is to promote stakeholder interests in addition to achieving oneness of Allah or Tawhid (Nawaz, 2019), while the conventional models to banking are largely based on promoting shareholder values (Mullah & Zaman, 2015). Haniffa and Hudaib (2007) pointed out that even if the concept of CG is a universal subject, it is very difficult to compare how the Islamic CG and Anglo-Saxon governance operates. Pollard and Samers (2007) indicated that the focus of corporations is to achieve shareholder value in terms of wealth creation. Therefore, the focus of CG both in the western conventional models and in the Islamic financial institutions is to meet the primary goal of promoting shareholder value.

Critics point out that the concept of CG from conventional banking models and the Islamic models does not differ significantly as often argued by proponents. Mohammed and Muhammed (2017) elaborate that the actual CG practice in most IFIs tends to be anchored on the Anglo-Saxon model. Williams and Zinkin (2010) noted that CG from the Islamic perspective implies a system by which corporations are controlled and directed with a primary objective of meeting the company's objectives of protecting the shareholder rights and interests. However, different from the conventional banking models, the Islamic CG presents distinct features and characteristics compared with conventional systems because it takes into consideration broader decision-making theories that are based on the Islamic socio-scientific epistemology anchored on the divine oneness with Allah (Narayan & Phan (2019).

3.10. Summary of how Literature Insights Shaped the Focus, Purpose, and Design of Study

The literature discussed in this chapter such as the works by Narayan and Phan (2019), Nawaz (2019), Obid and Naysary (2014), Platteau (2008), and Pollard and Samers (2007) helped in developing the theoretical framework on Shari'ah governance and the expected SSB roles in the IFIs. Findings from the explored literature revealed that the traditional concept of CG (either the

European model that promotes stakeholder value or the Anglo-Saxon model that advances the shareholder value system) has been a subject of continued debate among scholars and practitioners (Bassens, Derudder, & Witlox, 2011; Bulliet, 1976). Even so, there are still limited studies which have been undertaken to explore the Islamic perspective of CG, specifically when examining the Islamic finance (Ainley et al., 2007; Farag, Mallin, & Ow-Yong, 2018; Garas & ElMassah, 2018), even though there has been the rapid growth of the Islamic banking in the global financial markets since the mid-1970s (Gözübüyük, Kock, & Ünal, 2018; Yunis, 2007). Studies on IFIs started in the 1980s with studies by Abomouamer (1989) examining how Shari'ah control was applied in Islamic Banks, while Banaga, Ray, and Tomkins (1994) explored external audit of CG within Islamic banks.

However, the extant literature also revealed that existing knowledge is limited in terms of helping develop a clear conceptual framework on the functions of SSBs and BODs, with studies limiting their research scope to Shari'ah control and audit as noted by Mejia, Aljabrin, Awad, Norat, and Son (2014) and Obid and Naysary (2014). In addressing this knowledge gap, additional studies have been conducted over the years to understand CG from the Islamic point of view, which was the main research interest in this study. As noted from the literature, it became clear that the existing studies on IFIs CG can be grouped into three main phases (Bhatti & Bhatti, 2010). Phase one includes the pre-1980s, phase two includes the period between the 1980s and 1990s, and phase three include the post-2000s. In the first phase, the era is characterised by the absence of studies on CG on IFIs, and the topic received less research interest in mainstream CG. The claims are supported by the initial surveys which were undertaken by Siddiqi (1991), Mannan (1994), and Haneef (1995) on contemporary studies on Islamic financial economics (Ainley et al., 2007;

Bhatti & Bhatti, 2010). However, there was some increased focus and commitment to the topic of CG of IFIs in the second phase (1980 to 1990). For instance, a study by Abomouamer (1989) set to examine the functions and roles of Shari'ah control in Islamic banks. Additional research five years later by Banaga, Ray, and Tomkins (1994) attempted to undertake external audit and CG in the Islamic banks (Mohammed & Muhammed, 2017; Mullah & Zaman, 2015; Narayan & Phan, 2019).

The two studies by Abomouamer (1989) and Banaga et al. (1994), however, were undertaken by individual scholars and limited the scope of their study to Shari'ah audit and control in the Islamic banks. In the light of the limited corporate studies on IFIs during the first two phases of the literature overview, there was increased research interest beginning in the mid-1990s to 2000s. The reason for increased research interest in the IFIs during this period was triggered by several failures of some Islamic banks such as the Islamic Bank of South Africa, Ihlas Finance House in Turkey, and Islamic Investment Companies of Egypt (Nawaz, 2019; Platteau, 2008). As a result, several CG studies were undertaken by different institutions, organisations, and individuals in the third phase (post-2000s).

One of the major studies that were undertaken on CG in IFIs was research by Chapra and Ahmed (2002). The researchers focused on examining the issue of the functions and roles of the SSBs, accounting, auditing, and the overall framework of CG with a specific focus on IFIs. Subsequent studies further expanded on the topic where researcher like Al-Baluchi (2006) assessed issues of disclosure practices of IFIs, while Al-Sadah (2007) investigated CG of IFIs, the role of Islamic bank supervisors, the effects of IFIs on stakeholders, and its characteristics. At the height of the global financial meltdown in 2008, IFSB published a study on Shari'ah boards (SBs) of Institutions

Offering Islamic Financial Services in various jurisdictions (Ainley et al., 2007; IFSB, 2008; Pollard & Samers, 2007). The study by IFSB (2008) was followed by the one by Faizullah (2009) who examined the standardization, transparency, and governance of the Islamic banks in line with CG.

However, despite the studies above in the three phases, further analysis of the literature reveals that there are inadequate findings that have attempted to establish and deconstruct the theoretical foundations of CG with a specific focus on Islamic banking. Some attempts, however, had been made by Iqbal and Mirakhor (2004) and Choudhury and Hoque (2004) to create a theoretical framework of CG of Islamic banking. Choudhury and Hoque (2004) attempted to expand on the theory of CG based on the Tawhid epistemology on the Oneness of God (Al-Faruqi, 1982). In contrast, Iqbal and Mirakhor (2004) recommended the use of stakeholder-based value system anchored on the principle of contractual obligation and property rights. The existing literature was also extended by Safieddine (2009) by examining variations of the agency theory in a complex and unique Islamic banking context. To date, the issue of CG continues to be an area of major concern for international standard-settings agencies, supervisors, regulators, shareholders, and other stakeholders in the IFIs, thereby the need for this study.

Considering the overview above, it can be noted that CG is one of the essential components in the Islamic banking sector which needs further research, a factor that motivated the need for this study. The importance of CG is reflected by its role in developing and advancing the important principles of transparency, accountability, and fairness. Compared to the conventional banking system, the IFIs face a greater challenge and risk in ensuring strict adherence to the Shari'ah law governing financial transactions (Jabbar, 2009). Thus, there is a strong regulatory requirement where any Islamic corporation, especially the IFIs, must have in place appropriate strategies and sound governance systems that will work to promote the adoption of effective and strong CG within the Islamic framework. In the light of these deliberations, the focus of this section is to provide a review of the key foundation of CG from the Islamic point of view, with special deliberations made on the IFIs framework (Cull et al., 2005). The section further seeks to construct basic insights about CG in Islam and to clarify important issues to distinguish its features and values from those of the western-based banking systems and financial institutions (Cull et al., 2005). The study argues that as applies to IFIs, Islam becomes the key distinctive aspect in the bank's special characteristics and values in service and product delivery in its CG. As such, the primary aim of the IFIs CG is based on the need to uphold and maintain the central principles of social justice by working towards the interests of the shareholders and those of the stakeholders at large. To explore the topic and establish the relationship between BODs and SSBs, the theoretical frameworks from Chapter 2 (on mainstream banking) and Chapter 3 (on Shari'ah governance) were integrated to create a single conceptual framework which is further discussed in Chapter 5 (section 5.4). The next chapter presents the research methods and approaches used to collect data to answer the formulated research questions and objectives.

Chapter 4: Research Methodology

4.1. Introduction

This chapter provides a detailed breakdown and justification of the research process. It provides information regarding the method that the researcher deploys in conducting the research, together with the rationale for such a selection. The chapter also contains the various components of the study, including the sampling process, interview questions breakdown and a short section that describes the data analysis technique that the researcher deploys to make sense of the data from the data collection phase (Beattie, McInnes, & Fearnley, 2004). Another area of the chapter is a discussion of the contribution of the researcher to the overall research process, and prospective challenges that are inherent to the research design deployed (Jabbar, 2009; Kabir et al., 2011; McNulty et al., 2011). The final part of the chapter provides a discussion of reliability and validity measures that the researcher takes to ensure that the data collection process and other components of the research are rigorous. All these components are necessary to ensure that readers are conversant with the framework that the study uses, its advantages, disadvantages, and the measures that the study takes to ensure its robustness. Therefore, this chapter is crucial for understanding the purpose, foundation, and prospective impact of this study.

This research explores the relationship between the BODs and the SSBs in IFIs in Saudi Arabia. To collect data that will have meaningful implication for theory and practice, the researcher resorts to a method that will facilitate dialogue between the participants and themselves. Taking this approach ensures that the study captures experiences, insights and suggestions that emanate from those who have the knowledge, as well as the credibility, to discuss happenings in the study context. Consequently, the researcher draws from fundamental components of qualitative research to ensure that the quantity and quality of data that the research acquires is of meaningful standard.

4.2. Research Philosophy and Paradigms

Critical realism was the philosophical approach used in this study. According to Beattie, McInnes, Fearnley (2004), critical realism is a philosophical framework which distinguishes between the observable world and the real world. Belk (2007) added that real-world events cannot be observed and that they exist independent from individual constructions, theories, and perceptions. As applies to this study, the assumption was that entities exist independently of being perceived, or independently of how the researcher theorizes about them. As such, by interviewing the BODs and SSBs, it was assumed that their shared insights and experiences within the IFIs and other banking institutions could be central to examining the association between SSBs and BODs.

Saunders, Lewis, and Thornhill (2012) further pointed out that realism denotes the real features and events which occur in the world. In this study, reality refers to the actual events which take place within the IFIs and how BODs and SSB interact and engage when executing their mandate. Further, Saunders, Lewis, and Thornhill (2012) noted that the reality of events which occur in the real world causes the phenomena to be perceived with human senses. As such, the use of interview sessions with participants to collect information was essential in assisting to identify and observe the lived experiences of SSBs and BODs within the Islamic financial institutions. That is, both the SSBs and BODs are real and if they are studied through interview sessions, then they can provide important knowledge that can be offered to other people, and understand the research topic on the possible interaction between SSBs and BODs. As such, critical realism was considered a suitable framework for examining the formulated research aim and research questions for this study.

4.3. Research Design

The current study chooses to deploy a qualitative research design, with interviews as the data collection method. Unlike a quantitative research design, which deals with exact figures and data trends, qualitative research entails subjective, unquantifiable data that expresses individual insights on a certain topic (Marshall & Rossman 2014). Subjective data does not provide exact parameters that the research can use to make conclusions; rather, it entails synthesizing data using an analysis framework that can yield subjective trends, comparable to theory. Therefore, taking this research approach gives researchers the ability to cultivate a holistic image of the phenomenon under investigation, especially given the fact that the research process experiences few constraints (Marshall & Rossman 2014). Such an approach to the investigation process is one of the reasons why this study elects to go with a qualitative research design. Another rationale for choosing this approach over a quantitative study is that it allows the researcher to look beyond exact components of the relationship between SSBs and the BODs (Saunders, Lewis, & Thornhill, 2012). Like any components of the organization, they personify a wide array of elements, with the chief elements being people, culture, structure, and tasks. Consequently, focusing on an exact approach or taking a research design that only investigates a singular aspect of the relationship between the boards do not give a full picture (Belk 2007). While quantitative studies offer an admirable framework for assessing relationships, it confines the researcher to a set of variables that control the direction of the entire study; hence, it would be impossible to gain a proper understanding of how the two boards work when taking this approach.

Another incentive of choosing a qualitative research design is that it gives the research freedom to interact with the source of the research data. For instance, answers could be long and descriptive. This way, the respondent does not leave any crucial details out. Finally, a qualitative research design is compatible with the objectives of this study (Saunders, Lewis, & Thornhill, 2012). Literature indicates that the research strategy that a study deploys relies on the type of research question or subject under investigation. Consequently, the research strategy that a researcher deploys should be responsive to the fundamental propensities of the study. For instance, this study investigates the relationship between SSBs and the BODs. Such an investigation requires a profound analysis of the way these boards interact, both inside and outside the corporate boundaries (Flick, 2018). In addition, participants who will be able to provide data that is adequate to make conclusions are experts in IFIs, or are part of the CG structure of these institutions. As a result, they have a wealth of information that they can supply regarding the workings of these boards; hence, it is only right to adopt a research approach that will ensure that the study takes advantage of their vast knowledge in the subject under investigation (Belk, 2007).

The study not only ensures compatibility in terms of the guiding research principles but also in the selection of research context, participants, and the timeline. Given that the findings of the study need to be submitted within a given timeframe, the data collection process takes all the necessary measures to ensure that all the relevant steps are concluded within the allocated time. For this reason, the entire process outlined in this methodology chapter took three months. In this period, the researcher acquired permission from the various financial institutions to conduct research on their premises and with some of their stakeholders. While not all companies were willing to open their directors up to outside scrutiny, they were quite responsive after receiving a detailed package outlining the purpose of the study and its potential significance to the banking sector (Saunders, Lewis, & Thornhill, 2012). Taking this approach ensures that the researcher has the requisite platform to ask deep questions regarding the workings of the two boards. Furthermore, the researcher opts to work with a participant cohort that comprises of individuals that have notable expertise in matters that relate to the CG structure of IFIs. Installing this filtering mechanism ensures that the study has reliable data that reflects the state of SSBs and the BODs inside the Saudi CG environment.

This methodology is essential in the sense that it provides a foundation that will guide the entire research. Therefore, it is essential to ensure that it covers all the necessary aspects. For instance, the study elects to work with a methodological approach that will facilitate the understanding of SSBs and the BODs at a level that current research is yet to explore to a notable degree. To do so, the study has to build on current theory, while at the same time looking to synthesize new theory, or evolve current theory, to ensure that it has a tangible impact on practice and literature (Robson, 2011). The epistemological research approach ensures that the study is able to achieve this because it holds the view that a researcher uses the knowledge and experiences of experts to develop theory and a guidebook for practice. Importantly, the study selects a data collection instrument that will be able to satisfy the just demands of an epistemological research approach. In order to ensure the credibility of the final findings of the study, especially if they will be disruptive from a theoretical point of view, the study requires a solid evidence base (Saunders, Lewis, & Thornhill, 2012). Resorting to using interviews for data collection ensures that the participant group supplies this evidence without having to suffer validity and trustworthiness constraints, provided the study works with the right sample (Beattie, McInnes, & Fearnley, 2004). Consequently, the study has the right combination of theoretical elements and research procedures to succeed in realizing the objectives identified in the earlier stages of the study.

4.4. Participant Sampling

Purposive sampling, a non-probability sampling technique (Saunders, Lewis, & Thornhill, 2012), was used to recruit potential interviewees into the study. Saunders, Lewis, & Thornhill (2012) noted that purposive sampling or judgemental sampling is used to recruit study participants who have specific characteristics that can help the researcher explore the phenomenon under study. However, the use of purposive sampling has some limitations in that there is increased vulnerability to errors based on the researcher's judgement during participant selection (Beattie, McInnes, & Fearnley, 2004). In addition, the sampling approach introduces high levels of bias and low level of reliability and this means that the obtained results cannot be generalized to different research contexts (Saunders, Lewis, & Thornhill, 2012). In this study, the use of purposive sampling was essential in identifying only BOD and SSB members from the Saudi IFIs who have relevant knowledge pertaining the relationship and interaction between SSBs and BODs within the Islamic banks.

To select appropriate participants for the interview sessions, all appropriate banking and financial institutions in Saudi Arabia were identified (see Appendix 3 for the research population). These financial institutions and banks included Arab National Bank, National Commercial Bank, AlJazira Bank, Al Rajhi Bank, Alawwal Bank, Alinma Bank, and Riyadh Bank. Additional banks included

Saudi Investment Bank, SABB Bank, Samba Bank, and Albilad bank. Upon identifying these IFIs, an email was sent inviting them to take part in the study. A total of seven IFIs expressed interest as some BODs and SSBs dropped out of the study leaving 14 participants to take part in the interview sessions. Of the fourteen respondents, five were members of the BODs, six were members of SSBs and three were CEOs as presented in Table 4.

Table 4: Demographic characteristic of the interviews who took part in the interview sessions

Pseudonym		Gender	Occupation	working experience (years)
1	Maher Ali	Male	CEO in Bank	22
2	Rami Saleh	Male	BOD member in Bank	25
3	Sheikh Saad Ali	Male	SSB member of Bank	21
4	Mohsen Noor	Male	BOD member in Bank	25
5	Sheikh Khaled Abdallah	Male	SSB member of Bank	18
6	Noor Jaber	Male	BOD member in Bank	24
7	Sheikh Mamdouh Zafer	Male	SSB member of Bank	27
8	Nasser Rashid	Male	Chairman of SSB in Bank	40
9	Sheikh Zuhair Mansour	Male	SSB member in Bank	31
10	Sheikh Mohammed Sultan	Male	SSB member of Bank	19
11	Fahad Ali	Male	BOD member in Bank	23
12	Amer Samer	Male	CEO of Bank	28
13	Eng. Hani Fayez	Male	CEO in Bank	16
14	Hasan Ahmed	Male	BOD Bank	25

The inclusion of CEOs as respondents was necessary for several reasons. First, on top of being directly in charge of operations as executive directors, they are an essential component in the information gathering process, because they interact with both groups across various organizational contexts. Most importantly, the chief executive officer attends board meetings that involve both SSBs and the BODs. Looking at the credentials that all groups are constituting the sample carry, it is conceivable that the study establishes a sample that has the requisite amount of credibility to respond to the interview questions. Another step that the study takes to affirm that the participants have the credibility that it takes is to collect information regarding their experience. Understanding the relationship between the two boards entails evaluating how they interact with each other and the experience of the members during such interaction. Therefore, it becomes vital to target a respondent group that can report on experiences that can direct judgement regarding the relationship between BODs and SSB. As outlined in the subsequent sections of the methodology chapter, the experiences of the participants will be essential for the study, as it helps the study learn how the two boards interact with the CG space. Thus, using individuals who serve at the highest levels of the corporate hierarchy to participate in the study affirms the credibility of the sample to take part in the survey. Like in any other research, the sampling process will be essential in ensuring that the study meets its goals. Table 3 shows the respondent information; the name and bank name have been eliminated for anonymity purposes.

4.5. Interview Structure

There are three types of interviews that researchers can use to conduct studies. The first type of interviews is structured interviews, which are rigid and offer very little latitude to participants in terms of response freedom and how they can structure their experiences. Semi-structured interviews, on the other hand, personify an element of control but provide participants with an opportunity to exercise a degree of flexibility in the course of the survey. The final type of interviews is unstructured interviews, which are extremely flexible and take a conversational approach to the data collection process. While interviews provide researchers with the opportunity to ask open-ended questions, it is standard procedure to have predetermined questions. In light of this, the researcher developed a set of questions, grouped into five distinct segments. Each section of the interview focuses on a unique aspect of the relationship between SSBs and the BODs. The first section of the interview contains questions regarding the personal details of the respondent, their professional background and the type of institution where they work in. In the second section of the interview questions, the study begins to narrow down on the details, asking questions regarding the nature of meetings that the two boards have. The essence of this question is to allow the participants to furnish the researcher with information regarding pertinent elements of the CG structure such as frequency of meetings, subject of meetings and the degree of involvement for both boards. The third section of the interview questions is more specific, as the interview questions focus on the role of the boards. This section is essential to the study because it allows the researcher to identify points of convergence between the two boards when executing their functions. Therefore, the answers that the respondents submit in this section will be integral to meeting the objectives of the study (Bazeley 2009). The fourth section of the interview questions ask questions regarding effective strategic decisions. These questions also contribute to gaining a deeper understanding of the relationship between the two boards, because they help to reveal how the boards engage in strategic decision making, either independently, or working in conjunction with one another. This section also helps the study to discern the degree to which the two boards engage in shaping strategy. The final section of the interview questions focuses on the degree of collaboration within the boardroom. Like in the third section, the interview carries questions that seek to yield direct answers from the participants regarding the connection between the two boards. The list below provides a highlight of what each of the five sections entails

Section 1: Personal Questions

Section 2: A typical board meeting.

Section 3: Role on the board.

Section 4: Effective strategic decisions taken by the two boards.

Section 5: Perceptions of effective collaboration between the two boards.

Appendix 1 contains a copy of the interview questions

The reason for segmenting the interview into these sections is to create an orderly flow to the interview. Having sections also helps the researcher to broaden the scope of questions by making sure that they do not focus on one or two elements of the relationship between the two boards. Consequently, the interview structure also plays an integral role in the realization of the study objectives. It is imperative to note the fact that each of interview questions in the study aligns with the research objectives by using the objectives as a scope for the nature of the information that the researcher seeks from the respondents. To achieve this, the study continuously improves the interview questions in order to arrive at a list of questions that are consistent with the theoretical foundation of the research. For instance, the data analysis phase, the researcher gained more information on ways that they can improve the respondent experience. Based on this information, the researcher eliminated a seventh section from the interview, because it makes the process too long, while not providing relevant data that will help to meet research objectives. Another aspect to note regarding the interview structure is that the researcher employs the various segments so that to help during the data analysis process. Each segment of the interview contains related questions. Therefore, it will be easier for the researcher to identify data that pertains to a particular phenomenon, which reduces the amount of time that the study spends on the data analysis phase.

While the researcher could take advantage of various forms of interviews and interview questions, the study uses a semi-structured interview approach with open-ended questions. This gives the researcher control of the interviewing process while ensuring that the respondents have the freedom to express their experiences.

4.6. Data Collection Instrument

For data collection, the study elects to use personal interviews. However, it integrates the use of modern technology in order to save time and reduce research expense. For participants that we're unable to schedule face-to-face interviews, the researcher conducted the interviews with them via phone. Thus, the study sees two approaches to personal interviews, i.e. where the researcher uses face-to-face communication, and where the researcher uses phone-based communication. Integrating these two approaches ensures that the study eliminates accessibility constraints that would come with having to conduct all the interviews face to face. However, it is imperative to note the fact that choosing to conduct phone interviews with some of the participants has a number of downsides. For example, this approach does not take full advantage of interviews as a data collection method. One of the main incentives of using interviews to collect data is that they allow the researcher to read nonverbal cues, mood and even delve deeper into the investigation depending on the details that such information submits regarding the respondent (Appleton, 1995). However, using a phone does not allow the researcher the same level of access to the participant, or the information that they are trying to communicate. Therefore, the interviews conducted face to face seem to personify more detail, and the researcher feels in control, relative to the interviews that take place via phone. However, the differences in the quality of responses that they submit were negligible because all the interview responses contain detailed responses to the questions. The only challenge is that interviews conducted in person were longer than those conducted via phone. The study also uses scholarly information from current literature to supplement the outcome of the interview survey.

Moving away from the way that the study structures the interviews, it is imperative to look at the various alternatives that the researcher has in terms of data collection instruments across both the qualitative and quantitative divide. This assessment is important to establish why interviews come out as the optimal data collection method (Flick, 2018). Among the data collection techniques that the study could use in the place of interviews is direct observation. Direct observation is a data collection instrument that allows the researcher to observe the behaviour of the research participants inside the research context. The researcher then records actions, interactions and behaviour that falls within the scope of the study, and this constitutes the research data. Observations are an invaluable method for collecting primary data because they give the researcher unrestricted access to the study context, where they record what they see first-hand (Denzin and Lincoln, 2008). This reduces room for participant bias because they have less time or the opportunity to manipulate the information that the researcher records regarding their behaviour or interaction with the organizational context. Despite these advantages, the process is time-consuming, especially in the context of this research, given the fact that members of both boards convene at least quarterly. Another downside of this approach is that it requires follow-up research to validate the data that the researcher comes up with from observing the participants, in order to reduce bias and cover areas of the research context that the researcher could not gain access to. In addition, gaining full access to a corporate context to conduct adequate observation might be a challenge. This makes the study economically unfeasible, especially in this type of study, as it will mean that the research integrates an additional data collection framework on top of direct observation. In addition, some phenomena cannot be easily observed. An example of this includes aspects of the relationship between the boards, such as personal connections, or in the case of power, foundation power.

Invalidating the results of observational studies, some researchers use case studies; others use interviews to conduct follow-ups to what they record during observation. This means that the researcher would need to plan an additional research design that contains a distinct data collection method, in order to ensure that the observation data is valid enough. This could be time-consuming and unfeasible from the resource perspective, which emphasises the rationale for selecting interviews for data collection. In addition, the process is feasible because itis executed only once (Saunders Lewis & Thornhill, 2012). Interviews also provide an optimal data collection system for this study because of the way that they are able to work with different forms of research. For this particular study, the BODs and the SSBs do not convene often; hence, using an observation approach is unrealistic, as there is very little access to the study context and the subjects. In addition, the privacy and confidentiality risk are too high, which would prevent most companies from allowing research from taking place in such a sensitive area of their organization setup.

Another data collection instrument that the researcher could use for this study is the questionnaire. Questionnaires are typical tools for collecting quantitative data. However, since this is a qualitative study, they will not be able to supply the data that the researcher requires to reach a meaningful conclusion. Among the incentives that questionnaires bring to the table, including the fact that they do not consume much time. Unlike interviews, which require the researcher to sit down with participants for a considerable amount of time, questionnaires are quick to answer. In addition, the researcher does not need to be there for the participant to engage in the survey (Myers, 2013). In fact, modern technology facilitates questionnaire surveys, even more, allowing researchers to create online surveys where participants can fill questionnaires regardless of their location. Therefore, questionnaires are time efficient and cost-friendly. Another key incentive of questionnaires is the fact that they provide a chance for the researcher to control the nature of responses that the participants submit. Their structured nature confines the feedback from participants to a set of parameters, which ensures relevance. This is a strength that interviews do not share, especially unstructured interviews, which do not impose significant control over the process. However, they are also unable to provide detailed responses, given that most questionnaires have close-ended questions (Saunders, Lewis, & Thornhill, 2012). Participants get to provide simple answers that the researcher uses to conduct statistical analysis to test a phenomenon. Such an approach would not be appropriate and in this type of study, because the researcher looks to investigate a complex relationship, one underlined by a wide array of variables and potential statistical relationships. Therefore, in this case, questionnaires will not be enough to provide the data that will guide the research forward. Another aspect that undermines the prospect of deploying questionnaires is that the study looks to test subjective phenomenon, including how people relate in a particular context.

Myers (2013) establishes further incentives of interviews over questionnaires, including the fact that they genuinely support research follow up. While a researcher using a questionnaire data collection approach could integrate a framework for follow up, it would be difficult to cultivate a basis for using this option. This is down to a number of reasons. First, the exact science that underlines questionnaire research requires that researchers strike any responses that do not satisfy certain data validity checks. However, Myers (2013) maintains that interviews are about independent expression, and when an idea is not clear, a researcher can take advantage of the follow-up questions to gather more information from the respondent. This is highly beneficial, especially in studies that rely on respondent data to generate theory because it allows the researcher to take advantage of every piece of data submitted in the course of the study. Marshall and Rossman (2014) support this point of view, adding that support for consistent follow up also helps to improve the validity and trustworthiness of data because the researcher can take time to confirm data is trustworthy enough. This adds to the reasons why an interview study is compatible with the research objectives of this study. Participant data forms the basis of the theoretical development framework that the researcher will use; hence, it is crucial to have a tool that will enhance the clarity of data.

Another data collection alternative is using current literature, i.e. scholarly work that is already completed in the topic under investigation. This is a research mechanism that allows the researcher to dig deep into the literature on the topic under investigation in order to identify theoretical patterns that affirm or refute aspects of the phenomenon under investigation. Working with available scholarly work also supplies the researcher with comprehensive justification for certain theoretical constructs, supplying both qualitative and quantitative data (Flick, 2018). The greatest incentive of this approach is that it offers a researcher uncontrolled access to a wide pool of data. Such data personifies subjective and descriptive findings from diverse sources; hence, providing a chance for the researcher to develop a study whose implications span a wider context than interviews, questionnaires or direct observation. In addition, they allow the researcher to extract data from critical documents such as company reports and pronouncements, which would be highly invaluable (Baydoun & Willet, 2000). Like interviews, they are compatible with this study in that they avail a chance for the researcher to interact with expert opinion and experiences regarding the relationship between SSBs and the BODs (Denzin & Lincoln, 2008). Unfortunately, scholarly work on the topic under investigation is not comprehensive or adequate. Having such a slim pool of literature to work with undermines one of the fundamental incentives of utilizing current literature and statistics, which is having a data source to mine. In addition, the topic of CG is quite broad; hence, the prospect of wandering off to integrate concepts that are unrelated to current research is high, in order to compensate for the lack of a strong literature base that specifically targets the topic under investigation. For this reason, interviews are the qualitative data collection instrument of choice for the study.

While the paragraphs above outline the shortcomings of alternative data collection methods, which paves the way for selecting interviews, it is imperative to note that interviews also have their shortcomings. Interviews can be time-consuming to conduct. However, the study takes measures to reduce the implications of this disadvantage to the study by integrating phone interviews with face to face interviews. Another mechanism that the study deploys to address this shortcoming is to focus on a small sample group containing members that have enough credibility to touch on the subject under investigation. This ensures that the process does not take a lot of time, but it is still able to gather adequate data for the study. Another downside that one could associate with interviews is participant bias (Marshall & Rossman, 2014). There is an inherent risk that participants will provide data that will push the study towards their ideological standpoint on the issue under investigation. A noticeable upside is that interviews help the researcher to improve the validity and reliability of the data that makes it to the analysis phase of the study, which is important for the quality of the overall outcomes of the research.

Interviews not only provide an optimal data collection method because the researcher is able to mitigate their downsides to a notable degree but also because they personify an array of inherent advantages. Perhaps the greatest advantage of interviews is that they offer the researcher greater access to the participant and their insights. Interview questions do not impose any restrictions, and they provide the researcher with the opportunity to ask to follow up questions. This way, the researcher is able to conduct a comprehensive data collection phase, where they mine all the relevant data from people who have extensive knowledge in the topic under investigation (Granot, Brashear & Cesar Motta, 2012). Another advantage of interviews, but exclusive to face-to-face interviews, is that interviews provide the researcher with the opportunity to read nonverbal cues, which contribute to the quality of the data collection process. This incentive manifests greatly in instances where the researcher personifies great skill in personal interviews. Apart from these advantages, interviews are also responsive to the demands and characteristics of this study in the following ways:

1. Interviews allow the researcher to investigate a wide array of subjective elements of the relationship between SSBs and the BODs
2. Through interviews, the researcher is able to gather data regarding the interaction and the relationship between the two boards across all the major elements of the organization

3. Interviews provide a chance to dig deeper to unearth concepts that might seem unclear regarding the relationship between SSBs and the BODs

4. The topic under investigation is relatively new; hence, the researcher requires a data collection system that will enable the study to influence practice, future research and current literature to a notable extent. The exploratory nature of this study underscores the value of using interviews to gather data

It is imperative to note the actuality that interviews yield data that contain personal opinion. In quantitative studies, researchers tend to experience a less chaotic analysis because they do not deal with subjective data. However, studies that use interviews do not get to enjoy such benefits. In fact, data analysis frameworks such as thematic analysis require customization so that they can meet the nature of the study. In light of this, the quality of the data analysis phase and the outcomes of this study are highly contingent on the skills of the researcher in adopting the data to the various data analysis mechanisms and ensuring that they avoid any form of bias.

4.7. Data Collection Process

In order to gather as much data as possible and to ensure that the descriptive and qualitative data exemplify credibility and reliability, the study conducts one on one interviews, opting against group-based interviews. This ensures that the respondents get the chance to respond to questions independently, and free of any preconceptions, which could be generated by being privy to the response of other participants. Consequently, the researcher takes time to engage with individual participants to ensure that they have the freedom to express their views and relay their experiences. First, in order to make sure that all participants are comfortable to engage in the survey, the study seeks permission from the relevant institutions, as well as consent from individual participants. For this part of the research process, the researcher presented a consent letter containing all the details regarding the survey and prospective participants to the financial institutions that where be part of the study. The consent form included details regarding the survey, ethical considerations and a highlight of prospective implications of the study to the overall banking landscape in Saudi Arabia. Taking this approach ensures that the banks can relate to the study (McLellan MacQueen, & Neidig 2003). It also gives participants confidence that the study is observing all the necessary privacy and confidential safeguards to protect their personal data and ideas.

After completing the sampling process, the researcher contacted the participants who were available via phone, where they get additional information regarding the study. During this phone call, the participant has the freedom to schedule the interview, as well as select a location. For those that were not available for a personal physical interview, the study provides the alternative of an interview via the phone. Still, they were given the freedom to provide a time when they are available for the interview. While it would have been beneficial to stick to a rigid scheduling framework, this is likely to undermine the quality and turnout of the exercise. To eliminate the potential for this, the study takes a flexible approach to discerning the schedule, location, and mode of personal interview. Such flexibility in building the interview process focuses on maximizing the turnout and the quality of the results because it ensures that the participants conduct the interview in a context where they are comfortable. In addition, allowing them to schedule for the interviews ensures that they have ample time to respond to questions, provide additional insights and support any follow-up activity that the researcher may have. Because of this, there is no universal timeframe for an interview nor context (Saunders Lewis & Thornhill, 2012). Some of the participants choose to conduct the interview at the office, while others select a public space, some of the interviews take place in the morning, while others take place in the afternoon.

Perhaps some of the common elements that was notable during all the interviews are the enthusiastic nature of the participants. They respond to the interview questions with enough detail and dedicate a considerable amount of time to the data collection process. This is reflective of the flexible approach to scheduling and the context of the interview. To ensure that there are no limitations to the data collection process, and purity of feedback, the researcher records some response under a new file. This ensures that the interview is complete, regardless of the time that they take. Therefore, the researcher collects each of the answers at the end of the interview process, transcribes them, while upholding the anonymity of the respondents. Though the researcher intends to keep the data for backup purposes, some of the recordings contain personal details of the respondents, which poses privacy and confidentiality risk. As a result, the safest step was to ensure anonymity after transcribing the interviews, by listening to the recordings and writing the data down. To ensure that everything goes smoothly and that the participants contribute their best, the following interview protocol was followed:

1. Introduced myself to the participant(s).
2. I presented consent form, go over contents, answer questions and concerns of participant(s).
3. Give the participant(s) copy of consent form.

4. Turn on the audio recording device for face to face interviews, with the researcher using the phone call record option for interviews conducted via phone
5. The interview began with question 1; followed through to the final question.
6. I thank the participant(s) for their part in the study.
7. Give the participant(s) my contact numbers for follow up questions and concerns from the participant(s).

The protocol above ensures that the interview takes place in a manner that is not invasive and upsetting for the respondents. On top of the procedure outlined above, the interviewer uses simple language, which ensures that all participants comprehend the interview process. In addition, some of the details that the participants provide are not clear at first, so the interviewer finds having to ask them to repeat. However, they avoid questions that are not outlined in the three sections and not related to the survey. The reason for doing taking this precaution is to ensure that the participants comprehend the expectations of the study in delivering the results. Each interview context varies, and follow up questions may divert from the original topic, given that they are based on the information that the researcher gains from engaging with the participants (Saunders Lewis, & Thornhill, 2012). Apart from this restriction, the researcher maximises the fundamental incentives of using interviews as a means for data collection. For instance, all the participants get the freedom to express their opinions without any time limitations. The researcher also takes steps to ensure that they are as comfortable as possible so that they get to express themselves without any fear or reservations during the interviews. The researcher also uses Arabic as the standard language throughout the interviews.

Though the study intends to engage the participants after the interviews conclude, the quality of responses and the amount of detail that they include in their feedback does not warrant any follow-up. Furthermore, the transcription process is comprehensive to capture all the data from the respondents. This, alongside the fact that the respondents committed to the study, eliminates the need to do any follow up with the participants of the study, as the details that they provide are enough. Another step that takes place during the study to ensure the quality of outcomes studies testing, where the researcher subjected the interview questions, philosophy and prospective data analysis method to comprehensive testing to identify potential loopholes. This included comparing each question with the research objectives to ensure consistency, early communication with participants to determine their take on the survey, and mock-up pilot data collection session to determine aspects of the process that may require modification.

Another critical aspect of the interview process was the translation of the interviews from Arabic to English. The respondents' native language is Arabic, and some of them are not proficient in English; hence, the study resorted to conducting the interviews in Arabic. This introduced a translation stage after all the interviews were transcribed. To ensure that the translation captures the context and practical meaning of the responses that the participants provide, the translation process takes a contextualized approach, giving very little emphasis on the lexical representation of the responses. The researcher adopted this approach to translation from Chidlow, Plakoyiannaki and Welch (2014), who establish that the translation process in business research should be perceived as a session of intercultural interaction to generate findings that are relevant in multiple disciplines and contexts.

Table 3: Participant characteristics, financial sector, nationality, and duration of interview sessions.

S/N	Date	Role	Edu. Qual	Sector	Gender	Venue	Nationality	Duration
1	25-Mar	Executive	Undergraduate Engineering	Financial services	Male	His office	Saudi Arabia	38 mins
2	29-Mar	Executive	Undergraduate Accounting	Financial services	Male	His office	Saudi Arabia	53 mins
3	11-Apr	Non-executive	PhD Philosophy	Financial services	Male	His office	Saudi Arabia	49 mins
4	16-Apr	Non-executive	Undergraduate Marketing and Purchasing	Financial services	Male	His office	Saudi Arabia	56 mins
5	24-Apr	Non-executive	Undergraduate Accounting	Financial services	Male	His office	Saudi Arabia	69 mins
6	2-Apr	CEO	Undergraduate Computer Science	Financial services	Male	Via telephone	Saudi Arabia	52 mins
7	5-Apr	CEO	Undergraduate Research Methodology and quantitative methods	Financial services	Male	Meeting room at the bank	Saudi Arabia	64 mins
8	23-Apr	CEO	Master's degree in Accounting	Financial services	Male	Via telephone	Saudi Arabia	72 mins
9	3-Apr	Chairman	Islamic Jurisprudence - IMSI University	Financial services	Male	Office at Saudi royal court	Saudi Arabia	38 mins
10	10-Apr	Member	PhD Shari'ah - IMSI University	Financial services	Male	Office at Saudi royal court	Saudi Arabia	49 mins
11	12-Apr	Member	PhD Islamic Jurisprudence- IMSI University	Financial services	Male	Office at IMSI University	Saudi Arabia	58 mins
12	16-Apr	Member & Secretary	Comparative Fiqh - IMSI University	Financial services	Male	Office at bank	Saudi Arabia	42 mins
13	18-Apr	Member	Dr Shari'ah - IMSI University	Financial services	Male	His home	Saudi Arabia	46 mins
14	25-Apr	Member	Dr Shari'ah - IMSI University	Financial services	Male	Office at IMSI University	Saudi Arabia	40 mins

Each of the respondents above has experienced at the highest level of IFI's corporate hierarchy. They also select a conducive environment for an interview where they can deliver the best possible responses. Another notable aspect from the respondent cohort above is that all the respondents were male. This is attributable to the dominance of male executives and board members in Saudi Arabian financial institutions. Table 4 provides details of the banks eliminated for anonymity involved in the survey.

Table 5: Bank details, number of employees, annual revenue, number of interviews, and service type.

Bank	Number of employees	Annual revenue	Number of Interviews	Service Type
Bank I	13,077	$ 4.2 billion	3	Full Islamic Services
Bank II	2,953	$789M	1	Full Islamic Services
Bank III	2,658	$ 1.2 billion	2	Full Islamic Services
Bank IV	2300	$72 million	3	Full Islamic Services
Bank V	1534	$1 billion	2	Commercial bank
Bank VI	13,058	$6.3 billion	3	Commercial bank

4.8. Data Analysis Procedure

The collected data was coded by numbering every transcribed narrative between the interviewer and the interviewees. The qualitative data analysis process was achieved using the coding approach by Henning, van Resburg and Smit (2004) and Newman (2012): open coding, axial coding, and selective coding. First, open coding was used to familiarize with the collected qualitative data. At this stage, all the collected information was read and perused through two to three times checking for salient points about board meetings, tasks, and interactions between SSBs and BODs. The identified open codes were highlighted using yellow colour.

Second, axial coding was used where the researcher performed a line-by-line reading of each transcript interview data. At this step, the researcher started to create tentative labels for chunks of data that summarized what interviewees shared (Newman, 2012) regarding the nature of the relationship between the BODs and the SSB, factors that support or undermine the relationship SSBs and BODs, and potential areas of convergence in the roles of the BODs and SSBs within the IFIs. In the process, the researcher started to identify relationships among the open codes (Henning, van Resburg & Smit, 2004). Similar themes were identified and highlighted using blue, green, and red colours.

Third, selective coding was then used to check if the same themes occurred elsewhere in the transcript or if other interviewees had mentioned the same themes. Selective coding enabled the integration to all themes identified from the data analysis process to create connection across themes. For results presentation, the identified themes were organized and presented to answer each of the three research questions (Newman, 2012). The interview transcriptions are presented in Appendix 2.

4.9. Thematic Analysis Process

The data analysis process commences with an analysis of the interview transcripts using line by line coding. During this process, the researcher assigns descriptive labels to each line of the participants' response sheet. This ensures that the researcher interacts with each element of the data set, not leaving material details out (Tuckett 2005). Going through the interview transcripts line by line also helps to ensure that the researcher is familiar with critical components of the research, identifying points that demand strong emphasis in research. This initial phase of the study allows the researcher to lift bits of relevant data from all the 14 interviews. The relevant data progress to the subsequent stage of the analysis phase. It is imperative to keep in mind that the researcher discerns meaningful data from the rest of the datasets by assessing the degree to which the data contributes to addressing the research question. Data that does not fall into this category do not progress to the next stage (Alhojailan, 2012). Example of responses that do not constitute meaningful data include details regarding the career of the respondents, or experiences that they have outside the context of their CG responsibilities. While this is important in discerning their credibility to engage in the study, some of the presentations of theoretical background are long and too descriptive to feature in the theoretical analysis segment of the study. As a result, this bit of the responses does not get through to the theoretical and the identification segment of the research, as this segment demands that the study deploys meaningful data.

While long description, of personal goals or professional background, due to their irrelevance to the study findings, does not make it to the subsequent phase of the data analysis from the initial coding, examples of meaning data that goes through to the next stage include descriptions of the roles of the various boards. The second stage of the thematic analysis narrows down the data analysis process to identify constructs that will be meaningful in making conclusions from the research. In this phase, themes and theoretical segments begin to manifest after grouping all the meaningful data (Alhojailan, 2012). At this stage, the researcher begins to go back and forth in the data to identify meaningful themes that point towards a phenomenon of the relationship between SSBs and the BODs. The study successfully identifies multiple relationships and convergence in data regarding the phenomena under investigation, enough to form strong themes (Vaismoradi, Turunen, & Bondas 2013). After identifying the theoretical segments and themes from the data, the researcher then digs deeper into the data to identify responses that present a universal view of the themes. These responses are set aside and serve as the evidence that the researcher integrates into the research text to support assertions made in the findings chapter (Marshall & Rossman 2014). Thus, the study deploys two data filtering stages. The first stage eliminates data that does not have an impact on the thematic and theoretical construction of the paper, while the second phase entails identifying responses with an adequate depth that they can serve as representatives of the assertions made by the participants, and reflect their experience and knowledge in the issue under investigation.

The theme identification process is crucial to the thematic analysis process; hence, it is essential to detail it. After eliminating data that does not have meaningful content, the researcher reads the meaningful data again to establish common trends in the responses. Trends get the 'theme' classification are those that are visible in 12 (rationale explained below) out of the 14 responses, the study looks at such a high level of correlation in the respondent pool to ensure consistency. Those that manifest to a lower degree, i.e. do not meet the criteria established above, do not get this classification, and are discarded from the research process because they do not match the correlation benchmarks. The consistency that the respondents show in responding to the questions is fascinating, as the researcher does not experience extreme responses, and most of the feedback falls within a reasonable scope. After identifying the themes, the researcher created an explanatory system for each theme (Vaismoradi, Turunen and Bondas 2013). This allows the researcher to capture the assumptions underlining each theme, and to provide the data that supports the assertions that the researcher presents in the findings section of the dissertation. The second framework of data filtering is important here because it helps the researcher to identify responses that are substantial enough to carry the weight of entire themes (Guest, MacQueen, & Namey 2011). While the study attempts to incorporate as much data evidence as possible in the findings section, it would be unrealistic to present all the responses here. Therefore, it becomes crucial to identify the responses that meet the criteria outlined for this segment of the data filtering process. The data analysis process helps the researcher to gain a deeper insight into the contribution of the participants into the study.

While a thematic analysis constitutes an appropriate data analysis framework for this study, a number of issues required the attention of the researcher. For instance, the researcher is uncertain of the comprehensiveness of the initial coding of data, the second filtering and the theme development process. A concern that emerges is that there is a strong chance the researcher leaves out crucial data or includes data that is not meaningful in the theme development process. In order to address this issue, the researcher goes through the process several times, and only data that features in the various subcategories at least four times gets consideration. The researcher goes through the data four times in order to ensure that they do not miss any details, or they do not include details that fail to match the set criteria. The purpose of taking this measure is to diminish the prospect of human error (Vaismoradi, Turunen, & Bondas 2013).

It also helps the researcher to ensure that they integrate all the crucial components of the data set in the theme development phase of analysis. Another prospect concern that emerges in the course of the thematic analysis process is that some of the respondents might have issued extreme responses or assertions that are not relevant to the study. Going through the data analysis phase five times (The reason for electing to comb through the data this many times is to ensure that the researcher attached the accurate meaning to the responses provided by participants, as well as identify meaningful data that could be missing from the survey) provides the researcher with a chance to reduce such responses from the data analysis phase of the study. However, at the end of the fifth reading, which is the final reading based on the criteria described above, of the interview transcripts, no other themes emerged. Table 3 shows sections of the coding tables developed during the data analysis phase.

Table 6:Excerpt from Member of BODs.

The last meeting, I attended with members of the SC was in November 2017. That meeting was held at the Bank's main meeting hall to discuss the annual report of the SC. All SC members and 7 members of the BOD attended this meeting which lasted for one and half hour.	Collaboration between BOD and SSB, Representation of bank management in meetings, Duration of meetings Duration of meetings.	Integration
This bank relies more on the members of the SC to give the rulings of Islamic law in all his work and his contracts. Therefore, there is a necessity of the cooperation and mutual understanding between the BODs and the SC.	Role of SSB, Mutual relationship, Cooperation.	Roles
About a week before the meeting, the board secretary asking board members for any items that they want to be added to the agenda. The board secretary sends the completed agenda out about four or five days before the meeting with a request for any additions, deletions, or corrections.	Arranging board meeting, Role of board secretary, Active participation of members in agenda make.	Integration

Table 7:Excerpt from Chief Executive Officer

On a personal level, I participate in most social events and meet BODs and SSBs out of the bank.	Participation with BOD and SSB	Role
I believe that the communication between the two boards had developed a lot after the participation of BOD and CEO in the SC meeting.	Participation of BOD and CEO in SC meetings, Communication between boards and CEO	Integration
I believe that the decision of the participation of a member of BOD and CEO in SSB meeting contributed to the development of relations between the two councils. It is a modern movement that applies to Saudi banks, and I wish it will succeed.	Participation of BOD and CEO in SC meetings, Relationship development	Integration

Table 8:Member of Shari'ah supervisory board

I can describe the relationship with the BODs as a cooperative relationship to achieve the bank's objectives, and Muslim clients need.	Quality relationship, Cooperation to achieve bank objective and protect client interests	Integration
The secretary of the SC (a full-time employee at the bank) prepares SC's meeting agenda with all information related to the meeting then send it to all SC members before the meeting held insufficient time. During the meeting of the committee, everyone contributes to the debate with their opinion and vote on the decision is issued by the majority.	Role and job position of SSB secretary, A full-time employee of the bank, Organising meetings, Right of active participation during meetings	Policies and Procedures
As for the agenda of meeting with BODs, I have no idea who responsible for preparing the agenda. Maybe it is prepared by the chairman of the board or the CEO! Usually, we receive the approved agenda through the secretary of the SC, and we have the right to suggest and add any topic to the agenda before the meeting. During the meeting, everyone is given the opportunity to participate in the debate, and everyone has the right to express an opinion on all issues under discussion. As an Islamic supervisory committee, it is important for us to ensure that all decisions made at the meeting are in line with the requirements of Islamic law.	Joint board meetings between SSB and BOD, Collaboration with SSB secretary in planning and communicating joint meetings to members, Equal right of participation, SSB mainly an advisory committee	Communication and Information Exchange

4.10. Ensuring Trustworthiness of the Findings

All the data collection and analysis procedures have been presented and elaborately discussed showing the rigorous process that was used to reduce bias and achieve trustworthiness of the final findings. Throughout the data collection and data analysis process, the researcher was careful to remain objective when assessing the obtained information because what the researcher hears and sees during the interview sessions can influence the validity and trustworthiness of qualitative research. Research into the validity and trustworthiness of findings and data shows that transferability, credibility, confirmability, and dependability are integral to discerning trustworthiness (Myers, 2013). Among the techniques to affirm transferability and credibility is to ensure that those who engage in the interview have the knowledge and experience to weigh in on the subject under investigation.

In this study, the researcher ensures that all the participants meet this criterion by selecting only CEOs and board members from SSBs and the BODs. Taking this step affirms the credibility and transferability of the study findings. Evidence regarding the expertise and knowledge of the participants manifest in excerpts from the interviews that the study places throughout the findings section of the study (Marshall & Rossman 2014). This allows the readers to engage with the knowledge from the participants, as well as weigh in on their experience in the subject under investigation. Among aspects that affirm they have, the credibility to touch on the subject under investigation is the way that they outline the procedures, functions and the dynamics that surround the operation of the two boards. They also report on points of compliance with the law on SSBs' implementation. Therefore, by focusing on a respondent cohort, that has experience and knowledge in the field under investigation helps the study to take the first step towards trustworthiness and validity.

Another crucial component of trustworthiness that the study strives to satisfy is confirmability, which refers to consistency with research standards. One of the methods to use to check confirmability is the level of researcher bias. Confirmability t is directly proportional to research bias; hence, it is imperative to deploy a research approach that increases it. Therefore, the researcher installs safeguards to ensure that this study satisfies this benchmark. For instance, the researcher double-checks the output from the respondents, and at the same time ensures that they go through the data during the analysis phase plenty of times to ensure that the findings section is based on statements from the respondents. The study also promotes confirmability by installing ethical safeguards against researcher bias during data collection (Saunders, Lewis, & Thornhill, 2012). A risk exists of posing leading questions that will direct the respondents towards a response. However, the researcher outlines the interview questions beforehand and avoids leading questions. This ensures that the responses provided by the participants mirror their own insights on the topic under investigation. Furthermore, the researcher familiarizes themselves with the participant intent and the content of their interview transcripts by coding them manually, as well as transcribing them. Taking these steps ensures that the study portrays the views of the participants on the topic under investigation, while at the same time reducing researcher bias. It becomes important for the researcher to take these steps in the data collection and preparation phase of the study to smoothen out subsequent segments of the study.

Moving away from the data analysis phase of the study, the study outlines visible links between analysed data and theoretical assertions that the researcher makes in the last stages of the thesis. This is attainable through perpetual comparative analysis, which is essential in according credibility to the theories that manifest from the data because the researcher will be able to pinpoint areas of the data and themes where such phenomenon is present. To further the credibility of the study, the researcher ensures that the theoretical assertions have enough weight, determined by the amount of data that supports them (Myers 2013). Another aspect that ensures credibility in the final segments of the research, as well as the overall strategy that the researcher implements is that the study attains virtual saturation, i.e. there were no further identifiable themes in the data after the analysis concludes. This affirms that the data which the researcher collects carries is enough and credible enough to make tangible theoretical assertions regarding the phenomenon after investigation. Thus, it is conceivable that the study meets all the credibility and confirmability requirements for validity and trustworthiness. However, the fourth component, transferability, which refers to the ability to rely on data in other studies, does not manifest in this study, largely because it is unique. Apart from the topic under investigation falling inside the discipline of cooperate governance that is relatively underexplored, the researcher takes a distinct approach in developing the theoretical basis for the entire study. In addition, literature in this area of study is still developing.

Transferability is not the only concern that threatens the validity and trustworthiness of the study, but also the fact that the researcher resorts to conduct some of the interviews via phone. Birks and Milles (2011) establish that a researcher should maximise attention in the course of data collection, paying attention to all the essential components of verbal communication and attempt to eliminate any obstacles that would cause them to miss nonverbal cues. In deploying physical personal interviews, the researcher satisfies this benchmark. However, conducting some of the interviews via phone undermines this prospect, because it means there will be no physical interaction and visual contact with the respondents. In addition, choosing to integrate phone interviews and physical interviews harms consistency in the data collection, as the study does not interact with the respondents the same way. The researcher attempts to compensate for these concerns by ensuring that they engage the respondents comprehensively, guaranteeing that they contribute martially to the outcomes of the study (Marshall and Rossman 2014). The transcripts from the recordings contain all the details from the interviews, apart from the personal information of the respondents, or information regarding the organization where they work. Eliminating this content ensures that the study does not violate the privacy and confidentiality of the respondents. Looking at the assessment of trustworthiness and validity above, it is safe to say that the study implements benchmarks that attempt to ensure that there are no loopholes in the data collection and analysis process, which help to uphold the required level of validity and trustworthiness.

Apart from building a trustworthy study, the researcher will also pursue consistency by reducing potential researcher bias from the study. Unlike the risk of breaching the privacy and confidentiality of participants, this particular ethical concern carries greater implications for the outcome of the study. Additional safeguards against potential researcher bias are evident in the analysis phase of the research. For this phase, the researcher ensures that all the assertions made in the findings section have backing from the responses that the participants submit in the course of the interview. A comprehensive reference to the answers that they submit is made throughout the chapter, which closes potential loopholes to insert personal insights or enforce a particular point of view. In terms of participant bias, the study ensures that each participant taking part in the study is aware of its significance and the role that they are going to pay in the outcome of the research.

While the use of secondary data would offer the study a wider data pool to use in the analysis phase, the research only relies on primary data. The reason for taking this approach is to ensure that changes in the operation framework of the IFIs do not render findings obsolete, which is a possibility with secondary data, especially data that is developed years ago. In addition, the primary data supplied by respondents is adequate to provide reliable and valid findings on the topic under investigation.

4.11. Ethical Considerations

Research helps to gain a deeper understanding of the way society works. In business, research is particularly important because it helps to make sense of the various complex components of organizations. Successful research usually involves people, and whenever people are involved in research, the question of ethics follows. As a result, ethics is an integral component of research, and researchers have an obligation to ensure that they address these concerns, so as to ensure that they do not undermine the quality, reliability and validity of the research outcomes. For this particular study, the researcher contends with the following ethical issues

1. *Participant privacy and confidentiality*: Each of the participants enjoys privacy and confidentiality protections. In addition, the organizations that they work for would like their data and information to remain confidential. Therefore, the research always faces the risk that they will violate the confidentiality and privacy rights of the various persons involved in the study. As a result, the study enacts precautions to guard against any data breaches. The first safeguard that the study installs is anonymity – an essential measure that seeks to uphold the privacy and confidentiality obligation of the researcher towards the respondents. The respondents provided comprehensive data useful for the study, which is all available in the thesis, but personal data is redacted for privacy purposes. In addition, when transcribing the recordings from the interviews, the researcher anonymized any personal information submitted by the respondent, including the name of the bank where they work or other professional identifiers. Taking this approach ensures that there are enough confidentiality

safeguards in place. Finally, the research requires the participants to sign a consent form, which outlines the privacy and confidentiality safeguards of the survey, before the interviews commence.

2. *Informed Consent from Participants and Institutions*: Before commencing the data collection process, the researcher ensures that all the participants issue a willing and informed consent to engage in the study. The researcher installs two consent safeguards, the first one being the institution where they work (see Appendix 3). This ensures that all stakeholders agree to the interview while ensuring that the respondents do not feel coerced, which would have been the case if the study seeks consent from the banks alone. The essence of the consent process is to ensure that the respondents agree to engage in the interview, as well as agree the researcher use the data that they submit.

Apart from observing specific ethical requirements, the researcher also takes some general precautions. This makes ethics an integral component of the study. For instance, to ensure research quality and honesty, the researcher observes all the procedures outlined in the methodology chapter of the study. This helps to promote the validity of the study because the research approach that the researcher embraces personifies the highest possible standards of research. Other general precautions that the study takes is to ensure that all the participants satisfy credentials to be part of the research; hence, the reason the researcher opts to use the organizations as the conduit for securing participants. In addition, the move to anonymize all material containing personal information ensures that the researcher does not hold on to any private or confidential data without the consent of the participants. In fact, the researcher notifies the participants that all contents will be erased after the relevant data is transcribed.

4.12. Summary and Conclusion

The chapter above provides a breakdown of the methodology that the researcher employs to answer research questions. While there are many research approaches that suit this type of study, the researcher elects to work with qualitative research design, using interviews as the primary and only form of data collection, as no secondary data was used. Qualitative research is appropriate for this study because it is consistent with the objectives of the researcher and the phenomenon that the researcher is looking to investigate. A quantitative research design would not work well with this subject because it investigates a multifaceted issue affecting the corporate community. Choosing to work with a quantitative research design would mean that the study only gets to investigate specific relationships, which would not be enough. The relationship between SSBs and the BODs is a complex connection that involves multiple organization elements, which would be difficult to deconstruct in a quantitative study. Thus, the subjective nature of qualitative research ensures that the scope of the focus of research is broad enough to enable the researcher to uncover all the necessary elements of this relationship. Narrowing down the methodology further, the researcher used interviews as the mode of data collection. Interviews make it possible to take advantage of expert knowledge by giving participants the freedom to provide assertions that infer their experiences regarding a phenomenon. A content analysis presents a strong case for consideration in this study. However, the fact that this is a relatively new area of study means that there is no adequate literature to support the deployment of a content analysis approach.

The researcher considers other data collection alternatives such as direct observation, but none was compatible with the requirements of the thesis. Furthermore, the researcher finds mechanisms to diminish some of the downsides of using interviews to collect data. In pursuing answers for the research questions, the researcher nor only deploys a data collection technique that is consistent with the theoretical underpinning of the study, but also installs safeguards to ensure that the outcomes of the study are valid and trustworthy. The researcher observes ethical vigilance, which ensures that ethical concerns emerging from the study do not have a telling impact on the final presentations. In addition, the researcher selects to work with a participant cohort that is experienced and has the knowledge to answer the questions in the survey interview. This is integral in affirming the credibility, dependability, and transferability of the study outcomes. In terms of confirmability, the researcher deploys safeguards to ensure that there is little to no researcher bias. Among the standards that the researcher observes in this regard include, familiarizing oneself with the intent and perceptions of the respondent by comprehensively interacting with the interview data. The researcher also installs safeguards in the data collection to ensure that they do not influence the responses that the participants provide. Finally, the research process exercises maximum fidelity to the standards outlined in this study to avoid validity and reliability concerns

To guide the whole methodology, the study uses the constructivist approach. By taking this approach, the study ensures that it can cultivate theory from data, which is the essence of most studies that are investigating a specific phenomenon for the first time. In addition, the researcher has access to a cohort of experts in the field under investigation, which means that the data available for analysis is credible enough to provide a rationale for theoretical formulation. Taking this approach also ensures that the theories, which the researcher constructs, have a maximal effect on theory and practice. Also important is the contribution that it will have on future research. Given that this is a relatively new topic developing a strong foundation for new research is quite essential. Another crucial aspect that the methodology chapter covers is the data analysis approach. To take advantage of the content drawn from experts in the field, the study selects a data analysis framework that will incorporate assertions from all participants. By deploying a content analysis approach, the researcher can focus the data analysis process in one area, while enjoying freedom in data interpretation. Therefore, this technique contributes materially to the overall success of the study, mainly since it allows the integration of all the pieces of research data.

Chapter 5: Findings

5.1. Introduction

This research seeks to analyse the relationship between SSBs and the BODs in IFIs in Saudi Arabia. Instead of building on the traditional notions of CG and the BODs' dominance, this study pushes to identify how the CG environment in these financial institutions influences the interaction between the two boards, and how the boards relate to each other when discharging their duties. In the process, the study looked to identify the role of the BODs and SSB and how this affects the relationship between two. It also looked at the developments at the institutional level that IFIs make to integrate SSBs to their corporate structure. This chapter provides a breakdown of findings of a thematic analysis of semi-structured interviews carried out with SSBs, BODs' members and CEOs; a process detailed in the methodology chapter. Through a thematic analysis, data drawn from the interviews are presented in this chapter. The chapter comprises of three sections. In the first section, the study reviews the CG structure of financial institutions in Saudi Arabia based on information drawn from secondary resources such as Iqbal and Mirakhor (2007), Granot, Brashear, and Motta (2012), and Khokhar and Bukhari (2014) because this information was not collected during the interview sessions. Instead, the information is meant to provide the contextual information within which the researcher understood and interpreted the interview data. The second section provides a breakdown of the main themes identified in the thematic analysis: the role of SSBs and BODs, communication, and information exchange between the two boards, and business processes and policies. The findings chapter then finishes with a summary of the findings.

5.2. Islamic Financial Institutions CG Structure

CG is an integral component of the Saudi Arabia business environment. Like the rest of the world, the country maintains a comprehensive set of CG regulations that all organizations must follow. Part of the reason for installing CG rules is to safeguard shareholder interests, ensuring that managers do not abuse the shareholder resources in pursuit of their own ambitions. Therefore, CG rules in Saudi Arabia empower the BODs to execute their mandate as a conduit between the internal and the external environment (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). They also seek to provide a standard for establishing internal controls and strategies to continually protect shareholder wealth. Consequently, it is safe to say that CG plays an integral role in business in Saudi Arabia, just like in the rest of the world (Khokhar & Bukhari, 2014). This is evident in the actuality that IFIs in Saudi Arabia go beyond to develop an additional sustainability check to ensure that they attain the highest level of legitimacy, monitor compliance with Islamic law and install an additional voice in the strategic decision-making process that complements the BODs.

The development of SSB is discretionary. However, IFIs in Saudi Arabia deploy internal business policies that seek to affirm their establishment within the corporate administrative framework and therefore tend to have SSB. The corporate frameworks and policies ensure that they have a clear mandate, and their freedom is sufficiently protected. Despite these boards not being a legal requirement, it increases the reputation of these financial institutions, as they are able to show that they discharge their sustainability responsibilities. This plays an integral role in success in the Saudi Arabian market, because of the significant number of consumers that are interested in products that are Shari'ah compliant. Therefore, unlike other financial institutions, these institutions have an additional layer of governance. In determining membership, the BODs select potential members, who are then elected by the shareholders, based on the policies and procedures that the respective banks put in place regarding the deployment of SSBs. The law does not stipulate the constitution of the SSBs, but most of the IFIs engaged in the study have a board comprising of at least three members. The Shari'ah supervisory sits near the top of the CG structure, ensuring that they have enough power and influence to exercise their responsibilities. Moving on to the composition of the boards, each of the financial institution engaged in the survey has a scholar of Shari'ah law, who operates as chairman of the board, heading the SSB. They also have another member who occupies the role of the general secretariat, providing a link between the SSB, the BODs and senior management at the organization. This ensures that there is smooth communication between the board and other components of the organization's CG structure (Khokhar & Bukhari, 2014). However, it is imperative to note that the lack of a universal law guiding and mandating the adoption of SSB means that the banks develop the SSB internally. This is achieved through crafting SSB that is congruent with their corporate structure and objectives.

5.3. Emerging Themes from Interview Data

In this chapter, the main themes which will be discussed include the roles of the SSBs and BODs; integration strategies used to effectively embed SSBs to the administrative structure; business policies and communication; and collaboration between the SSBs and BODs. Each of the responses shared by the 14 interviewees is essential to the understanding of these themes based on their personal knowledge and experiences working in the Saudi Arabian IFIs.

These themes emerged by identifying keywords from the 14 interview responses which aligned with these terms or words: (1) *roles, responsibilities,* or *obligations*; (2) *information and communication*; and (3) *processes* or *policies* between the SSBs and BODs. Once these keywords had been identified from one interview, the researcher then systematically searched the corpus of texts from all the rest of the interviews to find all instances of the phrase, term, or word. Each time a term, word, or phrase was found from the interview texts, a copy of it was made and its immediate context. In the process, the emergence of the relevant themes discussed in the subsequent sections was identified by physically sorting the interview feedbacks into piles of similar meaning. The sections below provide a detailed breakdown of the contents of each theme.

5.3.1. Role of the SSB and BOD Members

Granot, Brashear, and Motta (2012) identified three board roles, i.e. monitoring and control, service, and strategic role. The three categorizations have a theoretical basis that expounds on the practical implications that the board is likely to have on the organization. In this study, each of the interviewees indicated a deep understanding of the roles of both the BODs and the SSBs in their respective organizations. CEOs, members from the BODs and respondents that were part of the SSB clearly underline the position of the two boards, mainly from the perspective of their respective organizations.

An overview of the responses from the participants emphasises on service and strategy for the SSB while relating control and monitoring roles with the BODs. As applies to this study, the interview participants shared that in terms of monitoring and control, the BODs possess the ultimate source of authority in the banking and financial organisations, an aspect that gives rise to responsibilities covered under this cluster of board roles. Further, the respondents maintain that it is the responsibility of the BODs to control the direction where the organization is headed in terms of strategy, both in the internal and external environment through the implementation of strategy and maintaining oversight of the management process. Focusing on the results, most of the respondents hold the view that the BODs have roles across all the three categories established in the past literature by researchers like Petrovic (2008). According to Al Elsheikh and Tanega (2011), the BODs acquire such an influential position, because the board draws its power from the shareholders, as custodians of investments that the owners make towards the financial institution. Further analysis of the responses indicates that the BODs personifies the highest level of authority when it comes to strategy formulation, which they do consistently with the objectives of the organization. This is an indication that the BODs play an integral role in steering the organization towards financial success through monitoring and controlling and strategy development, which are influential contributions towards fiscal success. For instance, BODs' member 3 maintains that;

> *The BOD is the highest administrative authority responsible to the General Meeting of shareholders in accordance with the Bank's policy. The main roles and functions of the Board are to draw up and adopt strategic directives and main objectives of the Bank, establish, and follow up the internal control and risk management procedures, ensure their efficiency and effectiveness, adopt key budgets and financial policies, follow, and monitor the CEO performance*.

The response above positions the BODs as influential in oversight and controlling and strategic roles. In that, the BODs serve to oversee financial success, strategy development and internal efficiency. These roles mean that the BODs serve as a compass for the financial institution, ensuring that the organization has a clear path to follow while having safeguards in place that safeguard shareholder equity. Engagement in risk management, a crucial function in contemporary financial institutions, underscores the argument that the BODs serves to protect shareholder interests; hence, engaging in crucial activities that will safeguard shareholder wealth (SOCPA, 2016). The response above not only speaks to the roles and functions of the BODs but also their influence within the corporate space. Nothing personifies this fact more than the observation that the board monitors the CEO and their performance. BOD member 1 goes on to indicate, “My role in the BODs is complementary to my colleagues’ role. We all work for the interest of shareholders, employees and our community.” This underscores the significance of the input that the institution makes towards the progression of the organization, as well as its conformity to the needs of the shareholders.

From the response by the BODs’ member 3, it is conceivable that there is a little limitation to their responsibility within the organization, from a strategy and monitoring and controlling perspective. Most importantly, they serve to ensure that the bank remains answerable to shareholders, as evident in the input by BOD 4, and from here, other responsibilities grow. These responsibilities include engagement in risk management, performance management and development of internal efficiency, which are components of monitoring and control. The wide scope of their power and engagement in corporate activities manifests in their decision-making role in some of the financial institutions (SOCPA, 2016). The respondents acknowledge that the BODs serve as the decision compass at the organization, outlining guidelines for other stakeholders to follow, and making decisions that are of significance at the organization. Still, their power to make all the critical decisions at the organization derives from the fact that they have an inherent responsibility to continue maximizing shareholder value at the organization, as BODs’ member 4 explains:

> *The BOD shaves the highest decision-making authority at the Bank. They are responsible for leading, supervising and controlling the Bank and is accountable to shareholders for achieving sustainable shareholder value by directing and supervising the Bank's business. In particular, the Bank's objectives, strategies and policies are established by the Board. The Board monitors the performance of the Bank's operations and directs guidance to the bank's management and supervises the implementation of these directives.*

In the description of the mandate enjoyed by the BODs provided above, the study recognizes that the BODs draw power from the shareholders. It is imperative to note the fact that though the BODs in these banks enjoy immense influence in the way of strategy roles and monitoring and control, their actions remain within the confines of CG rules in Saudi Arabia. Traditionally, the BODs exist to keep the executive directors in check, to ensure that they do not pursue their own agenda at the expense of shareholders (Asaad, 2007). This is a responsibility that BOD 4 acknowledges in his response, and it is an observation that one could maintain is tied to the classical view of the BODs, as the pinnacle of CG in organizations. This is an observation that speaks to their monitoring and control role, fortifying the views articulated by BODs' member 3. In exercising their monitoring and controlling responsibility, they ensure that they remain within the confines of CG guidelines. This is essential to cultivating responsible organizations, given that there is an authority that oversees the actions of those in charge of managing the organizations. Adherence to CG rules also plays an integral role in ensuring that they follow a predetermined legal framework; hence, satisfaction realization of their functions (SOCPA, 2016). It is imperative to note the fact that their responsibilities, as outlined under CG laws in Saudi Arabia, that the BODs ensure that the management carries out their role effectively. Consequently, in touching on the concept of compliance, it is safe to say that the board is doing well to satisfy its role as per directives of the law through their commitment to proper CG activities. This is an aspect that BODs' member 5 acknowledges by indicating:

> *CG guide outlines the mechanism of convening meeting, the quorum for attendance, and voting mechanisms. The board meets at least once every three months. Unless otherwise agreed. BODs meeting attended by a majority of the members. and during the meeting, each member participates in the debate and vote on decisions. The Secretary of board prepares the agenda for meeting with SC. During the meeting, everyone participates in the discussion and has the right to express his opinions on the issues that are under discussion*.

A noticeable aspect from the review of the board of director's role above shows that most of the respondents who were engaged in the power of the BODs focus their responses towards monitoring and control (Asaad, 2007). While members of the BODs reiterate that they are the ultimate authority in banks. Admissions by members of the SSB in the subsequent segments of this section show that the BODs now experience an additional check to their activities, which is usually not the case in a CG structure that does not integrate an additional board. Just like board members clearly outline the role of the BODs, so does members of the SB with regard to the roles of the SSBs. All the respondents that are part of these committees maintain that they have a responsibility to ensure that their respective organizations operate within the confines of Shari'ah laws. Banks that have a commitment to observe these laws in their operations experience aboard that exercises greater power, but their responsibility on paper remains to ensure that the financial institution adheres to provisions of Islamic laws. In institutions where the committee exercises a greater scope of responsibility, one could see greater engagement in undertakings and other core activities in the organization, as SSBs member 2 puts it in the response below, an aspect that shows the CG structure is looking at an additional authority that has noticeable influence.

> *The Shari'ah Group aims to contribute to the Bank strategy by supporting the necessary plans and policies to achieve the Bank's commitment to carry out its transactions in accordance with Islamic law. To achieve these objectives, the Shari'ah Group undertakes the following tasks: Studying the Bank's transactions, activities, and processing for*

submission to the SSB to issue their fatwa. Monitor the implementation of decisions of the SSB in all internal and external operations. Development of formulas, contracts and products in light of the provisions of Islamic law. They are promoting awareness of Islamic finance inside and outside the bank and developing the information and communications necessary to carry out the tasks of the SSB.

From the response above, one could see that the SSB has a say on the strategic direction that the banks take. The respondent shows that the board contributes to the strategic shape of the organization by engagement in policy development, specifically in matters relating to Islamic law, indicating “Development of formulas, contracts and products in light of the provisions of Islamic law.” Given that the financial institutions under investigation are Islamic in nature, it is safe to say that Islamic law influences critical components of their business systems. This fact underscores the observation that the SSB occupies a strategy role within IFIs, in terms of analysing the corporate structure and issuing a strategic direction that is consistent with Shari’ah laws. This is essential for consumers because they are looking at products that are consistent with their lifestyle and culture. Consequently, the SSB not only plays a strategic role by virtue of their position within the organization, but they are also responsible to consumers, who are affected by the processes and products that the banks deploy.

The Shari’ah branch of the CG framework also plays a service role within the corporate framework. This manifests in a wide array of ways, including providing the bank with the support that it needs to attain legitimacy by ensuring the development of products that are consistent with consumer needs. For instance, SSB member 3 indicates that “For example, several months ago, members of the SC rejected the board's proposal for a new product.” This is an indication that helps to create a legitimate internal environment by subjecting the bank’s activities to legitimacy checks that products and processes would not undergo in the absence of the SSB

(Asaad, 2007). The Shari’ah arm of the CG framework ensures the realization of legitimacy by monitoring compliance, as one of the respondents indicates that they, “Monitor the implementation of decisions of the SC in all internal and external operations.” This is an indication that they are an integral component of the strategic and service framework of IFIs. They expand this role further by supplying information to management on ways that they can continue to improve the organization. SSBs member 2 reports on a meeting and in his response, goes on to indicate that, “This meeting was followed by a vote on the need of implement annual training programs in Islamic finance for the top management team.” Therefore, as part of their service role, they issue advice and resolutions that will intensify the capacity by the banks to become more compliant to Shari’ah laws.

From the responses, one could also see that the board has the potential to expand its service role within IFIs. The respondents' point towards the capacity to evolve in the way that they integrate with other functions of the organization. For example, one of the respondents indicates that the SSB engages in, ‘developing the information and communications necessary to carry out the tasks’, an indication that they can continue to grow their position in the internal and external environment through facility changes that intensify their effectiveness. The fact that Islamic law influences core elements of the organization, such as products and corporate culture, see SC becomes essential in the service and strategic role of organizations. However, at the same time, they are causing a major disruption to the conventional CG system, initially dominated by the BODs. This is largely down to the fact that the board is seeing their decisions become more scrutinized. Without the SSB, decisions made by the board would be implemented in IFIs without a second thought. Instead, they are now undergoing an additional check, in a bid by the SSB to satisfy their service and strategic roles within the organization. Nothing captures this clearer that the response below from SSBs member 3, who indicates that

> *All decisions of the SSB, in my opinion, is strategic. For example, several months ago, members of the SBBs rejected the board's proposal for a new product. I remember then that the BODs tried to pressure the SSB to get approval for the adoption of this product. Since all the services of the Bank are compliant with Islamic law, we have the power under the bank's policy to ensure that all bank products comply with Shari'ah requirements. We studied the product and found that there was suspicion of harm and that customers might be deceived. The Commission, therefore, insisted that the product should not be approved. At this meeting, all SSB members attended, all Board of Director members, the CEO and the products manager*.

The observation above by one of the SSB members taking part in the interview not only underlines the strategic and service role of SSBs but also hint at the presence of strong integration strategies that banks put in place to ensure that the SSBs have a say in the direction that a financial institution takes. Furthermore, the response above captures an aspect of monitoring and control in the role of SSBs, indicating "several months ago, members of the SC rejected the board's proposal for a new product." This is an indication that in exercising their role to ensure compliance with Islamic law, the SSB gains a responsibility enshrined under the monitoring and control component of board responsibilities, as described by Petrovic (2008). From the above, it is conceivable that the SSBs roles in IFIs can be categorized under strategy and service role, as well as monitoring and control. The contribution of the SSB in these areas is noticeable, which means that they are as essential in the CG structure as the BODs. Despite some of the respondents recognizing the BODs as the ultimate authority at the organization, this does not prevent the SSBs from satisfying their roles, which are visible in the monitoring and controlling, strategy and service segments of board roles. With this in mind, it becomes evident that the SSB plays an integral role in the CG system of IFIs in Saudi Arabia.

From the above, the roles of the BODs and the SSBs under the categories explained by Petrovic (2008) are described. It is vital to look at how these institutions view and conduct themselves when other factors are put into consideration. One can see that the setup of the SSB allows members to contribute towards attaining legitimacy, checking compliance, and issuing advice on how IFIs can offer more lucrative product packages to consumers. Most importantly, they cause a disruption in the CG structure of financial institutions, by introducing an additional check to the authority of the BODs. In addition, they contribute towards broader checks and balances system for the executives through their service and strategy role. While executives acknowledge that they occupy an essential unique role within the corporate framework, they also notice growing integration between their work and that of the two boards, especially in terms of bringing in SSBs as part of the system that is responsible for spearheading success in financial institutions (Asaad, 2007). Furthermore, this integration is becoming a critical component of the corporate structure and culture, a phenomenon attributable to internal policies that the IFIs adopt to promote sustainability and community satisfaction, an actuality that board of director member one captures well in the response below:

> *Board Members and Management team in a cooperative relationship governed by the Bank's policy and governance regulations, we are all work to serve the interests of shareholders, stakeholders, and community.*

Given that the study investigates the overall CG framework, it is imperative to look at the way that the executive directors view their role, which is basically managerial and remains within the realms of conventional CG practice. One of the CEOs outlines their role comprehensively in the response below:

As a CEO of the Bank. Of course, my duty is important. In general, my duties are: Implement business plans, strategies and visions that contribute to the growth of the bank's profits and managing a daily business in the bank. and implement the vital and important decisions for the bank, which help in applying the long and short-term plans. I managed the bank's capital and expenses in a manner consistent with its strategies. And Contribute to the development of the annual budget of the bank.

Integration Strategies. The focus of this section is to look at measures that the two boards have taken to make it possible for them to work together. SSB members are not a component of conventional CG systems. As a result, their introduction to the corporate administrative space among IFIs could be problematic. The essence of this section is to look at how IFIs that have SSBs have accommodated them, or attempt to accommodate them, alongside the BODs.

From the interview responses, one could see that there is a wide array of strategies in place to ensure that the SSB is well integrated into the administrative cog of Shari'ah financial institutions. The first component of the integration strategies identifiable in the interview survey is the presence of internal policies that direct the use of SSBs in a space where the BODs exists. The BODs' member 1 reiterates that "Board Members and Management team in a cooperative relationship governed by the Bank's policy and governance regulations" This shows that the bank policy outlines a foundation for the integration of the SSB to the administrative framework of IFIs. Furthermore, the spirit of integration also ensures that the banks maintain a clear distinction between the contribution of the BODs and the SSB. The bank policies ensure that they serve highly distinct functions. Furthermore, their demands in terms of staff competency vary a great deal. As a result, members of the two boards acknowledge that they work together, but then reiterate their difference in functions by indicating that they serve to complement each other (Asaad, 2007). The BODs bring in their administrative expertise, while the Shari'ah committees ensure adequate compliance with Islamic laws. In doing so, they help each other to serve the organization better and realize success, as SSB member 1:

> *Regarding the relationship with the members of the BODs, it is a complementary relationship from my point of view. The board has specific tasks, and we have different specific tasks, and we may request a meeting with the board if necessary, as happened at the end of the last year 2017. When the SSB requested a meeting with members of the BOD to review and discuss the SSB's annual report*.

A more profound assessment of the response above allows for the consideration of the fact that the BODs do not prioritize service, process, and product cultural sustainability, which brings in the SSB. The SSB brings in expertise, focus and purpose that is tailored towards ensuring compliance with Islamic law, an aspect that makes them integrate with the BODs. For instance, SSB member reiterates an instance where they had to come in to oversee a critical transition in the business process of the bank in the response below;

> *There was a strategic decision taken two years ago and was on the transformation of all the Bank's traditional operations to the processes of conformity to Islamic law. In my opinion, the SSBs were able to convince the BODs to convert bank operations to full Islamic financial services. This decision was made in response to the demands of most shareholders and in line with the need of the Saudi society, which is a predominantly Muslim society. Therefore, the decision was taken by the consensus of the members of the SC and by the consensus of the members of the BODs*.

BODs' member 5 also supports this view of integration and an integrative relationship between the two boards in a response that outlines the focus of SSBs on Shari'ah law, an aspect that the BODs does not emphasise on considerably.

> *One strategic decision was taken the last year 2017 when SC suggested implementing an awareness seminar in Islamic finance for the top management team. the meeting lasted for 2 hours and was attended by all SC, all BODs, and the CEO. At the meeting, the Chairman of the SC presented the details of their suggestion then we start a discussion, and unanimous vote has been taken from BODs with approval to implement this seminar every three months*.

The response above underscores the differences between the two boards in executing their administrative duties in IFIs. This variation in priority, stakeholder group focus and expertise ensure that banks are able to integrate SSBs and the BODs within the same administrative space. Put simply, the boards come together to create a better organization, by sharing elements that the other cannot offer. Furthermore, that the respondents show that the SC does have the mandate to open discussions with the BODs on manners influencing the organization, an aspect that helps to ensure that they are well embedded into the organization's administrative structure (SOCPA, 2016). The distinct contributions of these boards are evident in the monitoring compliance service role of SSBs in IFIs. Since banks in Saudi Arabia commit to providing products that are consistent with Islamic laws, SSBs take up the role of affirming that they meet the benchmarks set out for them. SSBs member 1 reiterates this function and touches on how the banks are opening up the workspace so that they can coexist well with the BODs;

> *Certainly, all SC members do an important role in providing Islamic legal opinion and fatwa for all bank's operations. On a personal level, I am keen to share my thoughts with the rest of the SC members and all BOD members. On a personal level, I am keen to achieve both short and long-term objectives.*

From the above, it is conceivable that SSBs go on to touch on crucial matters that involve the daily running of banks in Saudi Arabia. Most importantly, they execute this function in conjunction with the BODs within a corporate space that is accommodating. For instance, SSB member 2 shows that the SSB gets to scrutinize the decisions made by the BODs, a power vested in them by the business policies. He indicates that "several months ago, members of the SSBs rejected the board's proposal for a new product. I remember then that the BODs tried to pressure the SC to get approval for the adoption of this product (Asaad, 2007). Since all the services of the Bank are compliant with Islamic law, we have the power under the bank's policy to ensure that all bank products comply with Shari'ah requirements." These points towards a corporate structure that sets a foundation through policy to ensure adequate integration of SSBs (SOCPA, 2016). Consequently, it is safe to say that the integration strategies outlined by IFIs that have an SSB do well to set a solid policy foundation that ensures that the two boards discharge their mandates separately, and without any interference from one another.

In assessing the integration strategies that financial institutions use to bring SSBs to the fold, the study identifies that SSBs get the mandate to interact with a wide array of issues pertaining to the organization. For instance, they do get a chance to scrutinize strategy and identify problems with the way that the organization is run. This actuality manifests in instances where the BODs and the SSBs work together towards attaining a particular goal. BODs' member 1 captures this phenomenon clearly is an example of a meeting that he outlines in the response below:

> *One of the strategic decisions was taken with the participation of SSB members was in the middle of the last year 2017. The meeting was held at the Bank to discuss the appointment of (4) Shari'ah coordinators in some bank's departments (Audit - Compliance - Corporate Services - Customer Services). The meeting attendance was all SSBs (4) members, (8) members from BOD, the CEO, and some top management team. The meeting lasted for two hours. I was very pleased with this meeting because it gave me more information about the nature of the SC work and their role in making Bank's mission successful*.

Taking time out to consult with members of SSBs on changes that affect them, as well as the entire organization, is an indication that stakeholders within the administrative space of IFIs are pushing for the integration of SSBs into the administration of the organizations.

The response above also captures the contribution that executives have towards the realization of effective integration. Naturally, the chief executive officer is present in some board meetings. However, in the response above, one can see a more complex CG structure, especially for those that operate in a corporate environment that does not follow Islamic law. The BODs, an executive and the SC engage in influencing the course of a singular aspect of the organization. Mapping the functions that they come together to satisfy to the various functions of the two boards shows that the executive branch is also engaging in the process of bringing the SSB comfortably into the governance structure of financial institutions. This ensures that the SC is responsible for delivering services and a corporate image that is consistent with Islamic law to the external environment, without experiencing any difficulties in the form of opposition from the BODs and executive directors at the organization (Ramady, 2009). It would be impossible for the IFIs to attain successful banking in accordance with Islamic law, without the engagement of the SSBs. This is largely due to the actuality that they bring in something different, something that Thebes does not bring to the table; hence, the move to build business policies that protect their independence and mandate in the organization. While it is important to acknowledge the fact that the SSBs are enjoying a wealth of strategies geared towards making sure that they integrate well into the internal environment, one could argue that it is a particular component of the governance framework of IFIs (Asaad, 2007). Much of this is attributable to the fact that they do not exist in other types of financial institutions or organizations. This fact underscores the importance of the integration strategies that companies take to ensure that the SSBs carry out their tasks well. It becomes a common practice across the corporate space by members of the administrative team, as CEO 1 indicates, "Through my recent experience in my duties as CEO of this bank, I have already met with all SSB members after two months of my joining this bank. In fact, I see that they are very cooperative, especially as this bank offers full Islamic services. From my own perspective, SSBs are the key element in the bank's success." This shows a strong sense of willingness to bring the SSBs into the fold in terms of administration. Furthermore, the business policies that formulate these institutions contribute to the creation of a context where SSBs are able to bring others to the fold in executing their role, as described in the section above. Nothing captures this phenomenon as clearly as SSB member 1, who provides an example of an instance where SSB had to work with the board and the executive to resolve an issue pertaining to a particular product:

> *In my view, all decisions issued by the SC are strategic decisions as it affects the interests of shareholders and society. 5 months ago, we made an important decision about a new Islamic product. We have taken care to study this product in terms of Islamic law after receiving the product's proposal through the CEO. For more information on this product and its mechanism, we requested a meeting with BODs. Attendance of this meeting was (8) BODS, the CEO, products manager and all SC members. During this meeting, we were provided with adequate information that enabled us to make a decision*.

Evidence of integration between the two boards is also provided in the responses from members of the BODs. This is an indication that the banks are working well to ensure that the two boards work together, by adequately embedding SSBs to the administrative process of the IFIs. The response below from BODs' member 2 shows how they perceive their integration with the SC;

> *The last meeting was in February this year to adopt a new product for the international markets. Both BODs and SC have worked closely to adopting that new product internationally. which in my view, a successful strategic decision made in cooperation between BOD and the SC*?

From the above, it is conceivable that the BODs and other members of the IFIs' administrative system have set up a framework to support the integration of SSBs to the process of leading these financial institutions. This is built on a set of policies that seek to ensure that the SSBs carry out their mandate and that their work does not suffer any interruption. Consequently, it is safe to say that SSBs are operating in a corporate environment that supports their strategic and service role, as well as their monitoring and control role. This, however, comes under threat considering that the BODs are perceived as the ultimate authority, as one of the respondents indicates that the board pressured them to adopt a product that does not comply with Islamic law (Ramady, 2009). They manage to maintain their position, as they draw independence and mandate from the policies that the banks put in place to support the execution of their duties. Looking at this, as well as the fact that the two boards undertake variant roles, one can safely argue that they have a complementary relationship, one that is adequately facilitated by the integration strategies adopted by Islamic institutions in Saudi Arabia.

5.3.2. Communication and Information Exchange

The essence of this section is to capture the way that SSB and the BODs exercise their responsibilities, and how this influences how the two boards communicate and exchange information with each other. This section is built on the back of the fact that IFIs have comprehensive integration policies, and the variant roles between the two boards help the creation of an integrative relationship. The findings of the study not only show the level of integration between the two bodies, as well as their various roles but also uncover critical components of the way that they exchange information and interact with each other. One could say that the two boards personify a solid information exchange profile and communication that is geared towards cementing integration. This is evident in the fact that they converge on a number of occasions to discuss matters that are of significance to the organization, without any notable conflict of interest, or show of power struggle. Though the law mandates that Islamic banks in Saudi Arabia have SSBs to oversee the development of banking practices that are consistent with Islamic law, the implementation of these organizations grows exponentially in practice. SSBs have been able to invent themselves in terms of the scope of their responsibility and their relationship with other bodies in the organization, the more they explore the banking environment (Asaad, 2007). SSB member 4 maintains, “On the personal level, I do not seek to play the most important role than rest of the SC members or BOD members.” This is an indication that there is a good balance; hence, the ability to converge and exchange information on how to run the organization. In addition, the two boards establish a strong working connection, because of the constant engagement that they have with each other, owing to the fact that they need each other in order to realize a successful organization. Perpetual engagement between the BODs and the SSBs shapes the integrative relationship between the two in practice, which contributes to a stronger realization of the responsibilities assigned to the BODs and the SSB. This is an aspect observed by CEO 1 in the response below:

> *I believe that the decision of the participation of a member of BOD and CEO in SSB meeting contributed to the development of relations between the two councils. It is a modern movement that applies to Saudi banks, and I wish it will succeed*.

His response shows the way that constant engagement improves the complementary relationship between the two boards, as well as the growth avenues available for the relationship between the BODs and the SSB. The response also characterizes the integration of SSB into CG as a ‘modern move’, an indication that the SSBs are an integral component of the contemporary CG system (Al-Shamrani, 2014). This is an aspect that echoes the point in findings that the influence that Islamic law has on products and the corporate culture of Saudi banks exalts the role of SSBs in the contemporary corporate environment, as they are the custodians of the law within the banks. Further engagement with CEO 1 drives out the belief that the executives can be influential in the operation of the BODs and SSBs. In one of the responses, he indicates that “I believe that the CEO can play mediator role of the relationship between the BODs and the SC.” Mediation refers to serving as a connection between the two boards. These points towards an internal capacity within IFIs to strengthen the connection between the BODs and the SSBs, while at the same time supporting the position that there is a positive communication and information exchange culture across the hierarchy of companies that have an SSBs and the BODs (Ramady, 2009). The view that the two boards share information and remain in touch is not only evident in the input by CEO 1, but also other respondents hold the view that the boards maintain constant communication. According to BODs' member 1, there is a cooperative relationship between the SSBs and the BODs, further explaining that "In general, the relationship between BODs is a cooperative relationship. As well as the BODs relationship with members of the SC. Consequently, one can see that there is a strong theme of integration between the two institutions, especially when you put into consideration the fact that there are some responsibilities that the two boards share between themselves, as well as the fact that they take time to communicate and share information.

Some of the respondents are of the view that a good level of cooperation between the BODs is a necessity as they share the same goal, of driving Islamic banks towards success. According to BODs' member 1, "there is a necessity of the cooperation and mutual understanding between the BODs and the SC." The fact that they cooperate towards common corporate goals at the bank supports the idea that their relationship is only growing. Importantly, it supports the idea that the modern business environment is supporting the expansion of SC in Saudi banks (Al-Shamrani, 2014). In fact, some of the respondents acknowledge the involvement of the SSBs in activities that may be reserved for the BODs in the conventional CG system, at a capacity that sees them extend their role to monitor compliance. Among such activities is engagement with shareholders, as one BODs' member 1 maintains, "Moreover, the relationship with the members of the SC is very good, and some of the BODs participated in the annual meeting of the SC with the shareholders." This is an indication that SSBs have access to information and stakeholders that are necessary for them to discharge their mandate, and to become adequately integrated into the corporate structure.

Respondents, especially BODs in explaining the role of the BODs reiterate its responsibility to shareholders, as a body responsible for management oversight. In addition, the study establishes that this where they draw their influence from. Since they are to ensure that management does not pursue selfish interests through sustainable practices, they get to have a say in almost every aspect of the organization. However, the roles section also reveals that the SSBs are growing in influence, due to the fact that Islamic laws are now touching on more crucial elements of the banks (Al-Shamrani, 2014). In assessing the theme of the mutual relationship between the BODs and SSB, the study establishes that SSBs also have a stakeholder group that affirms their influence in the organization, i.e. customers. In delivering service to the shareholders, the BODs are to ensure that customers are happy. Otherwise, the bank is without a source of revenue due to its failure to meet consumer needs. To make this happen, they invoke the relationship with SSBs in order to ensure that the organization is able to advance consumer demands on a consistent basis. Therefore, in pursuant of their objectives to create a healthy organization in the long term, the BODs work closely with the SC, whose responsibility is to Muslim clients, as SSB member indicates, "I can describe the relationship with the BODs as a cooperative relationship to achieve bank's objectives and Muslim clients need." Consequently, the necessity to corporate draws from the fact that it makes it possible for the organization to meet its goals, as well as satisfy the needs of Muslim clients, being an organization that exists in a market dominated by Muslim culture.

From the response above, it is conceivable that both boards have a stakeholder group that they are responsible for, which plays an integral role in cementing the integrative relationship between the two boards. Moving on in the assessment of the communication and information flow between the two boards, it is observable that at no point do these two boards pursue agendas that are different to the other, or incongruent with the bank's objectives. Instead, they continue working together towards a common objective, regardless of the area of the organization where they make their input (Ramady, 2009). This occurs because the Shari'ah and the BODs converge to deliver results that have a positive impact on the financial institution. This is an observation that SSBs member 4 affirms by describing the relationship between the two boards integrative, arguing;

> *Through my long experience in membership of SSBs in many IFIs in the Islamic world. I can describe relationships between members of SC members and board members as "integrative relationship" each team works in harmony and understanding that is reflected positively on the decisions taken by the two boards*.

The response above is backed up by an observation by CEO 1, who provides a breakdown of the way that the two boards work together in collaboration, and how the executive influences this connection.

> *I participate in the meetings of SC with BODs, Sometimes I suggest topics for meeting's agenda, but I do not interfere in the functions of the BOD Secretary and SC Secretary, who usually cooperate in the preparation of the agenda, but I provide all the information required for the meeting. The Chairman of the BODs is the one who invites for the meeting. The Board usually meets 4-6 meetings annually. But the meetings with SSB members are less and may reach 3 meetings annually. During the meeting, each member is allowed to participate in the debate and to express his opinion*s.

Another crucial point that one can pick from the responses above is the reinforcement of the idea that the boards collaborate in the decision-making process. The respondent, who is a member of an SSB board, concludes by indicating that the decisions taken by the two boards integrate the input of the boards. The capacity to work together and to bring in the chief executive, a proxy to the management team, is an indication of tangible collaboration between the SSB and the BODs.

It is, therefore, safe to say that the degree of collaboration between the two boards is noticeable. However, it is imperative to note that the relationship does not extend beyond the primary functions of the two boards. In fact, it is conceivable that the two boards cultivate a communication and interaction framework so that they are able to satisfy their primary functions. In a professional context, such as the nature of the relationship that one should expect between components of the organization structure (Al-Shamrani, 2014). Consequently, one could say that the degree of convergence between the two boards is adequate to ensure that they satisfactorily discharge their mandates. In addition, it is professional enough to prevent the emergence of a conflict of interest or a power struggle, as BOD 4 explains in the response below. Here, one can see the procedural commitments between the two boards, as well as the ability to exchange information and communicate at a level that makes it possible for them to work together well.

> *As for the relationship with the members of the SSB is a typical professional relationship. We meet with the members of the SSB in periodic meetings of approximately two to three meetings annually according to the need of work. I remember that the last meeting with the members of the SSBs was in January at the beginning of this year 2018. The aim of that meeting was to discuss with SSB members their work plans for 2018. All the members of the SSB (3 members) and all the members of the BODs of the Bank (9 members) attended the meeting. I think the meeting started at 9 am and lasted for about two hours*.

The response above helps to gain an understanding of the setup that the two boards operate within, and one could argue that the SSBs have an optimal context for discharging their mandate. The response below from CEO 1 reinforces this point further, maintaining:

> *I participate in the meetings of SC with BODs, Sometimes I suggest topics for meeting's agenda, but I do not interfere in the functions of the BOD Secretary and SC Secretary, who usually cooperate in the preparation of the agenda, but I provide all the information required for the meeting. The Chairman of the BODs is the one who invites for the meeting. The Board usually meets 4-6 meetings annually. But the meetings with SSB members are less and may reach 3 meetings annually. During the meeting, each member is allowed to participate in the debate and to express his opinions*.

The observations from a board member and CEO above shows that the two boards are able two are able to cultivate the necessary connections in order to ensure that they can work well. This relationship is not only evident in the engagement between the two boards, but also executives at the organization who interact with members from both sides. A CEO from the interview indicates that the relationship between the BODs and the SSB is a positive one, allowing them to complement each other. He attributes the connection that the two shares as personifying confidence and cooperation when carrying activities of the bank. From his position, CEO 2 issues the following response to describe the connection that exists between the two boards:

> *As a CEO of the bank, I can describe the relationship between members of the BODs and SC members as a relationship of cooperation and confidence between the parties. The BODs are aware of the functions of the SC in reviewing all bank operations to ensure that they comply with Shari'ah. The members of the SC are also aware of the role of the BODs and the management team in managing the bank's business and ensuring the interests of shareholders*.

First, there is adequate comprehension of their tasks, which opens them up to greater effectiveness, as well as responsiveness to the expectations of the other parties that they work with. In that, the SSB members understand their functions, while the members of the BODs have a grip on their responsibilities. The outcome of this is a CG framework where each of the players serves in a manner that does not undermine the responsibility of the other; hence, the ability by the two boards to exchange information and communicate through the established formal channels (Ramady, 2009). In addition, it helps them identify areas of convergence, and whenever the responsibility of one party is exalted, it is justifiable and does not provide a platform for conflict. For instance, members of the Shari'ah community reiterate that they are part of the strategic cog of the organization. While traditionally, this is a role reserved for the BODs, the mutual understanding and cooperation between the two boards facilitate engagement in crucial factors across the board. SSBs member 2 reiterate this situation in the response below:

> *All decisions issued by the SC are strategic decisions because they contribute to the Bank's commitment to the requirements of Islamic law. The last decision taken was in two months ago, it was about conducting the "Islamic Banking Audit program" this training course for the top management team. Members of the SC. proposed the program the meeting was attended by 4 members of the SC, 10 members form the Board of Director, The CEO and training manager. This meeting was followed by a vote on the need to implement annual training programs in Islamic finance for the top management team*.

From the above, it is conceivable that a platform exists inside Saudi Arabia's IFIs that facilitate information exchange and communication between the two boards, an aspect that allows them to attain the collaboration discussed earlier. This makes the two boards important to each other, and calls for a chance to touch on the way that these institutions set up in order to support the collaboration, communication and information exchange between the Shari'ah supervisory committee and the BODs.

5.3.3. Business processes and policies

The IFIs in Saudi Arabia define the SSBs based on business policies that underline their role, constitution, and purpose. Throughout the interview, it is evident that reliance on business policy helps some of the banking institutions to develop a satisfactory CG structure that can take advantage of the SSBs. This is attributable to the fact that the policy directives are clear regarding their formulation and scope of contribution within the corporate space (Morris et al., 2017). For instance, most of the banks develop policies that outline the number of SSB members that they can have. For instance, all the respondents that outline the formulation and functioning of the various SSBs depend on the business policies that their various organizations have in place to guide the Shari'ah -based banking system (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). Thus, the banks satisfy the minimum requirements and even go one better by instituting SSBs that comprise of more than one person in some cases, which adds to their effectiveness because of the expertise prevalent in the board. Furthermore, the banks ensure that the SSBs satisfy their fundamental responsibility, as the business policy in place requires of them. According to CEO 1, "The role of the SSB members is to ensure that all the Bank's operations and products are in line with the requirements of Islamic law." This underscores the level of compliance in terms of the requirement for the SSB by the internal rules that the financial institutions put in place, as they pursue legitimacy through cultural compliance (Al-Shamrani, 2014). SSBs member 2 takes time to explain the policy and procedures that they put in place in the response below, an aspect that captures the value this framework to the SSB integration process, as well as the level of commitment that IFIs place towards having successful SSBs.

> *The Bank's policy has clarified the role of the SC. The responsibilities and functions of the SC are within the limits of banking operations without administrative affairs, and it includes the following: Adoption of agreements and contracts related to financial operations conducted by the bank with shareholders, investors and others. Giving an Islamic opinion on the products that the bank intends to put forward, and issue fatwas on the issues that the bank is dealing with. Follow up the bank's operations and review all activities in terms of Islamic law and verify the contracts approved by the Commission. To provide the Islamic opinion in the financial statements of the bank in the periods determined in coordination between the SC and BOD*.

From his observation, it is safe to say that the policy the businesses put in place plays an integral part in defining the scope of responsibility for the boards, as well as their overall effectiveness. Most importantly, it helps to distinguish them from the BODs by outlining their constitution and how their members interact with the rest of the corporate structure. This signifies the presence of comprehensive business processes and policies that cover the deployment of the SSB alongside the BODs. Another value of the policies that one can identify through the degree of integration signified by IFIs in Saudi Arabia in the development that SSBs undergo overtime (Morris et al., 2017). Given the value that Shari'ah products have in Saudi Arabia, SSBs grow to support the BODs in the running of IFIs, making them a positive addition to the CG structure of these institutions. Much of this is largely down to the effectiveness of internal processes and policies that they have put in place to support the integration of SSBs. However, one could argue that there are some banks that still have work to do to ensure that the process of integration is smoother, as SSBs member 1 indicates:

> *As for the agenda of meeting with BODs, I have no idea who responsible for preparing agenda, and maybe it is prepared by the chairman of the board or the CEO! Usually, we receive the approved agenda through the secretary of the SSB, and we have the right to suggest and add any topic to the agenda before the meeting. During the meeting, everyone is given the opportunity to participate in the debate, and everyone has the right to express an opinion on all issues under discussion. As an Islamic supervisory committee, it is important for us to ensure that all decisions made at the meeting are in line with the requirements of Islamic law*.

The response above shows that there is more to be done in terms of processes and policies, as it shows that not all the critical stakeholders are on the same page regarding the interaction between the Shari'ah supervisory and other components of the bank's administration (Al-Shamrani, 2014). Apart from this procedural oversight reported by one of the respondents, the application of the SSB and integration to the CG structure of IFIs has been quite positive. An example of a respondent that points to the presence of policy and procedures explains the following:

> *The agenda of the meeting with the BODs send to Shari'ah Group through the CEO to discuss it before send it to the SSB. Supervisory committee members have the right to add any subject to the meeting agenda. As a Supervisory Committee, members participate in the debate and have the right to express their views and to object to any decision related to their duties*.

The response above reinforces the procedural maturity that the banks are pursuing in terms of bringing the SSB to the administrative framework of the bank. For instance, the banks ensure that all activities that the policies dictate outline for the SBs are carried out accordingly. This includes the number of meetings per year, integration with the BODs and the functions that these boards are required to serve by the business policy that brings the SSB to being in the respective financial institutions. As part of the integration process, the banks allow members of the SSB to include new components to the agenda of the meetings with the BODs in order to ensure that the Shari'ah supervisory have adequate interaction with the organization and the administration to structure in order to be effective (Morris et al., 2017). This also indicates that there is a willingness by financial institutions to take advantage of the boards to ensure that the financial institutions realize the desired level of success, especially in matters that relate to Islamic banking activities and community satisfaction. Another aspect of note from the respondents is that banks create a corporate structure that accommodates SSBs as a natural component of their CG system, not a foreign object that is embedded and does not identify with the institution (Al-Shamrani, 2014). For instance, BOD 2 in the response below shows that the Shari'ah supervisory team has been part of the bank's CG thinking and framework from the beginning.

> *An independent SSB has been established since bank establishment. Its membership includes a number of scholars. Its composition is approved in General Assembly Meeting to ensure that all the bank's operations are subject to the approval from SSB*.

One can, therefore, maintain that there is a noticeable degree of commitment among financial institutions when it comes to adopting SSBs, as part of their CG structure, especially after they design internal policies and processes that oversee the institutionalization of SSBs. Another crucial component of the operation process is the role of the secretary to the SSB, which is integral to the functioning of the committee. While the law does not require companies to have a secretary to the SSB, nor requires them to have an SSB, the secretary is crucial to the integration of the SSBs to the CG framework of the organization. Respondents from banks that have a secretary to the SSB show that this is a fulltime position at the bank. The inclusion of a secretary to the SSB provides a smooth link between the board, the BODs, and top management at the organization, as evident in the response by SSB member 4. Such commitment to institute a framework that facilitates the functioning of the SSB points towards a procedural and policy commitment towards adequate integration of the SSBs to financial institutions. The response below from SSBs member 4 captures some of the processes that their bank follows in engaging the SSB:

> *Regarding preparing the agenda of the SSB meetings, the secretary of the supervisory committee, who is a full-time employee at Bank, usually prepares the meeting agenda. one week before the meeting, the secretary sends all information related to meeting to the committee members. During the meeting of the Committee, each member allowed to participate in the debate and vote on the resolution, and whoever has a reservation we recorded that in the meeting report. As for the agenda of the meeting Board of Director members, the CEO prepares the agenda and send it to the BODs for approval before sending it to the members of the SSB through the secretary of supervisory committee. members of the SSB may propose to add any topic for discussion before the meeting is held for inclusion in the agenda. During the meeting, each member participates in the debate, and everyone has the right to express his opinions on the issues under discussion. We are in the SSB keen to express our point of view on all the issues that are discussed*.

The response not only sheds light on the effective integration of SSBs in banks but also the extent to which banks allow the SSBs to influence their activities, including the involvement of a secretary, who makes it easier for the board to discharge its mandate. Important to the process is the constant involvement of the members in a discussion of issues that are integral to the daily running of the financial institution (Al-Shamrani, 2014). In addition, the banks not only show promotes the effective application in terms of SSB institution, but also the way that these committees' fuse with the rest of the organization. For instance, most of the respondents acknowledge the fact that the committees engage with the BODs to the extent required by the policies outlined by the business, especially when it comes to matters of procedure. SSBs member 2 explains this phenomenon by using the number of meetings between the two boards every year.

> *Our meeting with BODs is usually done on a regular basis with 3-4 meetings during the year as required. The last meeting with the board members was in November 2017. The BODs requested that meeting to discuss the chapter of Islamic Services in the annual report of the Bank. The meeting was attended by all members of the SSB (6 members) and all BODs members (9 members). The meeting was held in the meeting hall of the Bank building. The meeting started at 9 am and lasted for two hours*.

Apart from the meetings, the role of the committee is also evident in the day to day running of the financial institution through a service role that stems from the policies and procedures that the bank puts in place to justify and to take advantage of the SSB. This is a phenomenon acknowledged by CEO 3, who maintains:

> *Our bank offers some Islamic products which are supervised by the SSB, and these products are designed through the product department and presented to the SSB for review and give the Islamic ruling. Anyway, the SSB rarely contributes to proposed any new Islamic product. they are only giving fatwa on products proposed by the bank's departments.*

The response above covers the clarity in the financial institutions in terms of the contribution that SSBs make, as a result of the presence of processes and procedures that deconstruct their interaction with the BODs. BODs member 1 reinforces this point of view in his response, which indicates:

> *This bank relies more on the members of the SSB to give the rulings of Islamic law in all his work and his contracts. Therefore, there is a necessity of the cooperation and mutual understanding between the BODs and the SSB*.

From their description of the role that the SSBs play, it is safe to say that the effectiveness of business policies regarding the establishment of SSBs in Saudi banks is high, both in terms of promoting compliance with Islamic laws and in terms of provisions for CG in the banking sector.

5.4. Research Findings

The current section summarises the main findings of the empirical research in relation to the research questions that were posed in this thesis. Research Question 1 was formulated to address a gap in the literature on IFIs, specifically to understand the facets of the existing relationship between the BODs and the SSB in IFIs in Saudi Arabia. The results obtained from the study revealed six important developments which can help understand the nature of the relationship between SSBs and BODs in the Saudi Arabian IFIs. First, the relationship between the two boards is evident from the growing strength of the internal processes and policies and the ability by the SSB and BODs in the IFIs to supplement each other in terms of acting as a channel between the external and internal CG environment (Macey & O’Hara, 2001). In the process, the existing collaboration and engagement between the two boards serve to improve the governance processes, where the SSB provides domain-specific knowledge and competency that is absent in the BODs. Such a relationship was noted to be complementary in nature as the two boards merged their competency to ensure they discharged their mandates effectively (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007).

Second, the research also identified that the existing relationship between SSBs and BODs in the IFIs largely serve to create a new perspective which continues to facilitate institutional development. In line with the institutional theory, the SSB and the BODs serve as an integrated structure for Islamic banking institutions (Vogel & Hayes, 2006). The major concept behind the observed developments is that both boards follow a pattern of executing their functions which are constantly evolving over time, and in the process become legitimised within the banking sector and the wider social environment (Boyd et al., 2011) as Shari'ah -compliant. The study showed that in Saudi Arabia, the financial institutions continue to evolve, and in the process of this dynamic development in the face of globalisation, there is a lack of a definitive classification of tasks. The study observed that the continued collaboration between the SSB and the BOD is a product of internal policy and process development, as part of embedding SSBs to the CG structure of IFIs to achieve organisational goals. Therefore, the nature of the existing relationship between the BOD and SSB committees is such that during the development of IFIs in Saudi Arabia, there is no universally accepted model but that the processes continue to evolve in efforts to have in place tailored Shari'ah compliance. Thus, findings from this study support the application of institutional theory by Scott (2005) in understanding the nature of the interaction between the SSBs and BODs where there is growing evidence that the more the two committees interact, the more they will become effective and influence in executing their duties in the IFIs.

Third, the study noted that there are continuous developments ongoing in the role of SSBs in Saudi Arabia, considering the complexities in the CG structure of the IFIs. When assessing the possibility of the SSB’s effectiveness and their association with the BODs, the results indicate the importance of understanding the level to which financial institutions connect the SSBs to their corporate structures to enhance monitoring and control. Based on the shared insights from the participants, the Saudi banks were found to promote procedures and policies that work to support the effective operation and integration of SSBs which are key to checking BOD’s compliance, legitimacy of developed products, and issue advice on Shari’a guidelines. Alongside the BODs, therefore, the SSBs have been shown to play a fundamental part in the CG framework of IFIs in Saudi Arabia. The Saudi banks also recognise the important function of the SSB secretary who operates as a liaison between the SSB and the financial institutions. Other than supporting a holistic connection between differences of the boards, IFIs in Saudi Arabia have propagated the need for SSBs to take part in the service and strategic roles of BODs in the financial institutions. As such, it appears that in Saudi Arabia, the SSBs are increasingly becoming more connected to the CG processes in the IFIs, taking part in important roles and creating complementary association with the BODs, which make it possible for the banks to achieve their mandate in line with the interests of the shareholders and other stakeholders as discussed under the agency theory.

The role of the SSBs and their value is further reflected in the interconnected relationship with BODs in the IFIs in Saudi Arabia. Even though the role of SSBs is largely limited to the Islamic law, the observations from this study reveal that their monitoring and control process promotes the legitimate role that the banking sector plays by complying with the Shari’ah rules and principles. The integration between SSBs and BODs makes it possible for them to function within the financial institutions. Furthermore, they connect the diverse array of issues, which include resources and culture to get meaning and balance to individual focus on promoting financial institutions with the Saudi Arabian IFIs. The SSBs in Saudi Arabia also contribute to the actualisation of the banks' objectives when not able to be realised through the BODs alone. There are a substantial link and connection between the boards in efforts to promote the financial success of their shareholders and other stakeholders.

Fourth, the study also noted the central role that BODs play to shape CG. Specifically, the data from the interview with BOD member 3 indicated that when it comes to formulation, BODs personifies the highest level of authority which they do in line with the set organizational objectives. The data further reveals that BODs play an important role in steering the financial institutions towards fiscal success to advance their roles of monitoring and control. The obtained data was evidence based on the insights shared by BOD member 3 when he pointed out that "The BOD is the highest administrative authority responsible to the General Meeting of shareholders in accordance with the Bank's policy. The main roles and functions of the Board are to draw up and adopt strategic directives and main objectives of the Bank." For example, these objectives were identified as establishing and making a follow-up of the internal control and risk management procedures, ensuring their effectiveness and efficiency, and following and monitoring the CEO's performance. Therefore, the data captures the influential role of BODs in oversight and control. In elaboration, BODs serve to oversee strategy development and internal efficiency in their organisation. As earlier pointed out, these roles mean that the BODs serve as a compass for the financial institution, ensuring that the organization has a clear path to follow while having protections in place that safeguard shareholder equity.

Fifth, the study findings further indicated that the BODs have the highest decision-making authority at the Bank. That is, the BODs are responsible for leading, supervising and controlling the Bank and is accountable to shareholders for achieving sustainable shareholder value by directing and supervising the Bank's business. In elaboration, BOD member 4 indicated that “the Bank's objectives, strategies and policies are established by the Board. In addition, the BOD monitors the performance of the Bank's operations and directs guidance to the bank's management and supervises the implementation of these directives. However, this growth in CG has not been generated and supported by the law because it is imperative to take note that they undertake their operations that remaining within the purview of traditional CG rules. In other words, the SSBs work by assisting companies in connecting more effectively with external financial institutions. For example, according to SSB member 5, he shared that SSBs not only “monitor the implementation of decisions of the Shari'ah Committee in all internal operations, but also external operations.” The CEO from one of the Banks who took part in this study further confirmed the same value where existing frameworks in the IFIs in Saudi Arabia are being tailored to comply with the Islamic laws. The BOD member 1 shared that “the role of the SSBs members is to ensure that all the Bank's operations and products are in line with the requirements of Islamic law.”

The central role that developed corporate processes pay does not only emerge with the creation of the SSBs in Saudi Arabian IFIs, but it also becomes evident when evaluating their connection with the BODs. However, in the IFIs in Saudi Arabia, the SSBs play an important part in supervising the executive team as part of their legitimacy and sustainability demands needed by the Islamic law on banking and corporate financial management. In this case, it can be noted that the SSB and BOD exist within the same corporate environment although they appear to serve different governance functions, do so in a manner that helps in complementing each other in addition to working to realise a common goal (Vogel & Hayes, 2006). In all, the IFIs in Saudi Arabia position themselves in a manner that enables them to deploy essential resources that work to benefit the shareholders and the stakeholders without constraining the functions of the BODs and the SSBs within the same organisation.

Sixth, the final findings on the nature of the SSB and DOB revealed that the boards maintain a connection working to fulfil and meet the interests of the stakeholders. Contrary to the focus by the Anglo-Saxon and the European model (Becht & Barca, 2001), which focuses on the stakeholder interests, the BOD and SSB CG model serves to take into consideration all the stakeholder interests. These findings show that SSBs and the BODs have diverse roles and draw legitimacy from unique groups of stakeholders such as depositors, shareholders, employees of the bank, and the community. On the one hand, SSBs can be shown to draw their legitimacy from the community and stakeholders such as depositors and shareholders, since their duty is to ensure that the IFIs in Saudi Arabia develop products that are in line with Islamic laws. In some financial institutions in Saudi Arabia, SSBs serve the purpose of advancing the expectations of the banking financial regulators, which are important stakeholders in the banking sector in the Saudi Kingdom (Vogel & Hayes, 2006). On the other hand, the BODs operate to ensure that there is adequate governance of the financial sector in Saudi Arabia. In line with stakeholder theory, the chairman of SSB in bank noted that "in the SSB, we look at the members of the BODs as teamwork. We cooperate with them and in my opinion, they are collaborators and they understand the nature of our role and we all strive to achieve the interests of shareholders, stakeholders and employees of the bank and community." Thus, close cooperation between BODs and SSB ensures shareholder and stakeholder interests are maintained.

5.4.1. The factors in the CG structure of IFIs in Saudi Arabia that support or undermine the deployment of the SSB

The current study attempted to identify the potential factors in CG of IFIs in Saudi Arabia that support or undermine the uptake of SSB (Choudhury & Malik, 1992; Choudury & Hoque, 2004). Four key factors were identified as being central to the deployment of the SSBs in Saudi Arabia, especially as it applies to the IFIs. Findings from the study revealed that the SSBs continues to play a central role in promoting the needs of majority stakeholder groups who are mostly Muslim regulators, community members, depositors, and other sectors of the country's economy with direct or indirect interests with the banking industry in Saudi Arabia. In all, these stakeholders all hold a positive perception towards the need to create financial institutions which propagate positive social and religious practices. When banks take such observations in their operations, they are likely to receive support for SSBs, since boards take up a productive role of monitoring how financial institutions align to fulfil the Islamic requirements. Today, the IFIs in Saudi Arabia already realise their religious obligations thereby making it possible to support the efforts to set up SSBs in their daily financial and banking operations to fulfil stakeholder needs according to the Shari'ah law and Islamic law.

Moreover, another factor that has given support to the deployment of the SSB in Saudi Arabia is attributed to the changing approaches from the financial sector to CG. Over the last two decades, there has been a growing approach to add SBs and include them in the CG structures in all organisations, and not only in the IFIs. Specific focus, however, has been anchored in the banking sector where most of the transactions must align with Shari'ah laws in line with the teachings drawn from the Quran (Archer & Rifaat, 2006). Importantly, the transformation has remained largely positive, in using the bank model as a benchmark to formulate and transform their CG structure thereby providing SSBs with a suitable ground to be deployed in various financial institutions in Saudi Arabia (Archer & Rifaat, 2006). The policies and processes which have been used by banks indicate that it is possible to have a supporting framework for SSBs where these SBs will play an important role in supplementing their shortcomings in terms of knowledge, information, and skills. By making a shift in the CG structure, companies seek the need to improve their level of competency, which becomes a positive aspect that supports the deployment of SBs.

Furthermore, findings reveal that banks in Saudi Arabia are likely to experience potential hurdles in the process of implementing such a structure of CG, but results from this study revealed that such a problem could be addressed by establishing SSBs to issue advice to BODs. SSB member 4 noted that "we are an advisory committee that presents our Islamic opinion on the issues under discussion and the Board of Directors of the Bank has the final decision." Some of the potential measures which they can take to facilitate the adoption of the SBSs are to promote trust between the boards to enable them to work together. BOD member 3 noted that "the BODs' relationship with the members of the Shari'ah Committee can be described as an 'Excellent relationship' we are a full Islamic services bank and Shari'ah Committee members have an important role. Therefore, the relationship and cooperation between the two boards must be a relationship of trust." Furthermore, the BODs need to be more willing to accommodate the input desirable from the SSBs to make the extensions of Islamic CG structure within their banks, a move that will see these extensions grow, as well as the board themselves, grow to include Shari'ah laws within their organisations (Bhatti & Bhatti, 2010).

As applies to modern banking and financial corporations, legitimacy in existing business workplaces emphasises that companies need to show that their operations are successful in different areas of Islamic law and not just the finance sector. For instance, there are important benchmarks for legitimacy, which are drawn from culturally sensitive areas in Saudi Arabia, such as paying the zakah and corporate social responsibilities. In the process, it is possible for companies to experience a potential dilemma on ways that they can achieve the right level of legitimacy. In Saudi Arabia, the IFIs draw their legitimacy from their capacity to comply with the Shari'ah law, or their capacity to build a system of CG that resonates with the Islamic culture (Choudhury & Malik, 1992; Choudury & Hoque, 2004). In this process, SSB plays an important role in offering advice on how to meet the different Shari'ah demands, a role that makes its uptake by companies to be more appreciated. However, it is not only the establishment of SSBs that help companies attain legitimacy; rather, their integration into the organisation culture and structure in Saudi Arabia.

Findings from this research further revealed that most banking and financial institutions are largely sensitive in terms of the cultural environments in which they currently operate in Saudi Arabia. Considering the sensitivity of the matter in this topic, there is a growing focus and demand for companies to prove that they have met all the requirements of effective CG, a demand that necessitates the deployment and uptake of SBs (Bhatti & Bhatti, 2010). The observation not only influences theory but also in practice, in the sense that it underlines the need for IFIs to continuously modify their CG structures to attain Islamic and Shari'ah -based legitimacy (Archer

& Rifaat, 2006). Although SSBs in Saudi Arabia are currently helping most of these financial institutions to solve significant legitimacy challenges, there is a growing commitment to keep growing strengthening these SSBs. Having such growth in place is fundamental considering the potential possibility that there are possible challenges of legitimacy which continue to evolve in the banking sector, thereby indicating the importance of this process is ensuring that the boards attain maximum Shari'ah -based evolution in their CG system.

5.4.3. The areas of convergence in the roles of the BODs and SSBs in Islamic financial institutions in Saudi Arabia.

Research Question 3 was designed to explore the areas of convergence that exist in the roles of BODs and SSBs in the IFIs in Saudi Arabia. First, the findings drawn in this study revealed that one important area of close collaboration between the SSD and BOD in Saudi Arabia in supplementing their operations. The shared insights from the participants indicated that the two boards have an important role in the financial sector, which include strategic roles, services, and control and monitoring (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). These insights have been supported in the literature, and they have theoretical foundations which tend to expand to important practical implications in the banking sector. On the one hand, the BODs have a unique role in ensuring monitoring and control, while on the other hand, the SSBs play the role of service and strategy. Moreover, SSBs serve to check compliance, legitimacy of the BODs' operations, and issue advice on how banks can offer lucrative services to their customers based on Islamic law.

These findings were revealed during the study where a close interaction with the participants further emphasise d that the SSB play important roles in terms of strategy and services, while the BODs serves to monitor and control the functions of the banking firms. Thus, the monitoring and control roles denote the points of divergence for the BODs in the IFIs in Saudi Arabia, while compared to strategy and service role played by the SSBs in terms of developing formulas for financial products or services that align with the Islamic Shari'ah law. Based on these findings, it became clear from the insights shared by the participants that the BOD has a role across three important categories. For example, when assessing the controlling and monitoring roles that they play in the financial sector, the BOD shows ultimate control over the top management in the organisation. That is, the board is mandated to steer the direction where the company is headed, both by influencing the external and internal environments by promoting the implementation of approved strategies and continuous promotion of the oversight role in the management process in the company. In Saudi Arabia, under the Shari'ah policies and processes, the BODs draw their monitoring and control roles from the shareholders, and they are considered a legitimate arm who are custodians of the investments made by the owners in the financial institution.

However, the board cannot function efficiently as a single entity, and its shortcomings are largely supplemented and filled by the SSB. Such an observation is particularly true when considering the IFIs in Saudi Arabia, which operate under the majority of Muslim shareholders. In the process, the SSBs become integral in the Saudi financial sector, and their existence help creates a mutually collaborative relationship with the BODs since they control the services and strategies of the companies (Choudhury & Malik, 1992; Choudury & Hoque, 2004). With the SSBs, there is a need for strategic resources since such a move help creates an important framework upon which the reputation and internal competencies of the banking services can resonate with the needs of the Muslim clients. The strategic edge has been supported by the presence of the SSBs, thus stressing the importance of the SSBs on the Saudi financial institutions. These observations were supported by the remarks made by the Chairman of SSB in the bank where he pointed out “there was a strategic decision taken two years ago and was on the transformation of all the Bank's traditional operations to the processes of conformity to Islamic law. In my opinion, the Shari'ah Committee was able to convince the BODs to convert bank operations to full Islamic financial services.” Based on this revelation, it because clear from the Chairman of SSB in the bank that SSB decisions are made in response to the demands of most shareholders and in line with the need of the Saudi society, which is a predominantly Muslim society.

Despite the divergence in the roles played by the SSB and BOD, it can be noted that both bodies help the Saudi financial institutions develop legitimate business operations based on the needs of the consumers, and those of the environment in which they operate and their communities. In both situations, it is important to ensure compliance with the BODs and SBs in the banks to align with stakeholder interests under the provisions of the Shari’ah law. Although the approach affects the strategies of the banks and the type of products they can offer their target market, it also plays an important role in promoting corporate legitimacy. The further assessment also revealed that in their capacity as a channel between the external and internal environment, BODs also help add legitimacy to the banking sector.

As such, it can be said that the SSBs and the BODs are distinct entities an important aspect because it ensures that the two boards remain independent from each other, they are competent, and that no board can dominate over another. According to SSB member 3, “the boards are independent and all bank operations are subject to independent approval, this is the policy of this bank.” Considering their level of independence, it also became elaborate to note that the position of the BOD which is a conventional party in the financial sector does not undermine the position of each other SSB in the Islamic banking industry in Saudi Arabia. From the findings, members of the board and members of SSBs outline different roles within the corporate hierarchy such as “providing fatwa for all products” according to BOD member 4 and in ensuring “bank's practices are compatible with the requirements of Islamic law” according to SSB member 2. Additional roles by SSBs according to SSB member 2 include the adoption of agreements and contracts related to financial operations conducted by the bank with shareholders and investors and giving an Islamic opinion on the products that bank intends to put forward in the market. In contrast, BOD member 3 noted that “the main roles and functions of the BODs is to draw up and adopt strategic directives and main objectives of the Bank, establish, and follow up the internal control and management procedures, ensure their efficiency and effectiveness, and monitor the CEO performance.” However, BOD member 1 cautioned that the “role of BODs are complementary to the roles of SSBs and this means that competition does not exist, but cooperation and trust are the most prominent in the board room and within the bank operations.” Although the two boards work in harmony, it can be noted that they understand that they have distinct mandates. Moreover, it would be easy to covet the influence attributable to another institution, but this does not materialize under these conditions considering that both parties comprehend their roles in satisfying the specific bank requirement of staying in touch with the external environment.

Therefore, the two boards should be viewed collectively when assessing the CG system of Saudi Arabian banks. This is evident in the way that they work in harmony, their integrative relationship, and seamless ability to incorporate the executive arm to their operation framework. Therefore, a breakdown of the study findings reveals that the integrative relationship between the two boards is essential for ensuring a balanced CG structure of the IFIs (Choudhury & Malik, 1992; Choudury & Hoque, 2004). This is evident in the way that the SSB complements the BODs to ensure that the organisation attains legitimacy in a market that highly values Islamic law and fundamental Shari’ah practice.

Second, another important point of convergence and divergence between the SSB and the BOD in the IFI sector in Saudi Arabia was evident when assessing the issues related to information exchange and communication. The observations from the participant interviews and past literature revealed that the BODs and the SSBs have a unique approach to executing their mandate.

Elaborate insights from the study supported claims that the two bodies have a close collaboration as noted by BOD member 2, which promotes the sharing of information in addition to communication processes which are focused on bolstering their interconnection. BOD member 2 indicated that “both board of directors and Shari'ah committees have worked closely to adopting new product internationally which, in my view, is a successful strategic decision made in strengthening cooperation between BODs and SSBs.” Further, the interrelationship which exists between the two becomes clearer since the two parties converge on their duties and responsibilities on various occasions. One of the areas where the two bodies converge is related to efforts to discuss matters of importance to their financial institutions where there are rare cases of power struggle or conflict of interest. Even if there is a strong call from the Shari’ah and Islamic laws for IFIs in Saudi Arabia to have a functional SSB to verify that the operations of the banks comply with the Shari’ah policies, the deployment of these boards are in line with the need to supplement the limitations of the BODs. Through communication and close interconnection, the boards have been able to reinvent their operations and enhanced their responsibilities and how they related to each other in facilitating positive banking sector workplace.

In the process, it can be argued out that each board works to serve a unique purpose without necessarily hindering the functions of the other body (El-Gamal, 2006). Such an observation reveals that there is some great balance between the boards in terms of their interaction and communication. Thus, their ability to convene on various occasions to exchange vital financial insights on how to ensure the banking and financial sector in Saudi Arabia aligns with the laid down laws and policies. Further, it is clear that through such communications and information exchange, the two bodies are able to develop a strong working relationship since they have constant interaction where they work to supplement the shortcomings of either board so as to attain successful organisational outcomes. In other words, it can be noted that continuous engagement between the BODs and the Shari'ah committees shapes the integrative affiliation between the two boards in practice, a move that is fundamental in its contribution to a stronger realization of the responsibilities allocated to the SSBs and also to the BODs in the Saudi financial and banking sector.

Third, the study also identified that another important area of convergence in the roles of the BODs and SSBs in IFIs in Saudi Arabia is closely attributed to business policies and processes. In Saudi Arabia, the IFIs present the SSB in the light of business frameworks which define their purpose, constitution, and roles. Findings extracted from the interview sessions revealed that by focusing on business processes and policies, the banking sector is able to create strong CG frameworks which align their operations within the confines proposed by the SSBs (El-Gamal, 2006). The entire process reflects the substantial fact where policy directive formulates the scope of each bank, such as outlining the number of Shari'ah members to the board. In the process, banks are able to use the provides policies to satisfy at least the minimum requirements, and setting up suitable governance frameworks that add to their effectiveness, considering the expert advice which they receive from the board.

The participants revealed that the specific policies which banks propose in place often play an important part in terms of pointing out the duties of the boards, and also works to evaluate the level of their effectiveness. Importantly, it can be noted that the policies help in differentiating their roles from those of the BODs in terms of constitutional alignment and how the members can engage with all corporate structures (El-Gamal, 2006). The process is essential in determining the scope of business policies and processes that are pronounced in the SB and how they differ from the roles assigned to the BOD. Policies also help when identifying the level of interaction between the BOD and the SSB as stipulated in the IFIs operating within Saudi Arabia, with emphasis on the progress to be expected in the future. Considering the value which the SB plays, the presence of SSBs work to support the BOD in terms of running the IFIs in line with the recommended policies in place. The core focus of the entire process is based on how effective the internal policies and processes apply to daily operations of the bank regarding the interaction between the Shari'ah supervisory and other teams from the bank's administration, such as the BOD members (Choudhury & Malik, 1992; Choudury & Hoque, 2004).

5.5. Summary and Conclusion

The findings above base on emergent themes identified in the responses provided by participants in the interview survey. The interviews supplied invaluable data on the way that SSBs work with the BODs. Each of the 14 respondents contributes significantly to the discourse by raising crucial points that hold enough substance to influence the findings of the study. Consequently, the study will look to use these findings to reinforce literature, as well as extend some of the ideas already present in existing scholarly research. The themes identified above will form the basis for the discussion chapter, as well as the recommendations for future research that the study will provide. In addition, the study takes steps to ensure that the interview responses have a positive impact by taking measures to ensure their reliability and validity through procedures that ensure each of the components of the findings above carries and true and fair reflection of the participants' experiences.

Chapter 6: Discussion

6.1. Introduction

This chapter provides an assessment of the implications of the findings. It draws substantially on current literature to establish points of convergence, as well as identify areas where findings of this study help to improve original insights. Each of the theories that the study referenced in this chapter help to gain a better understanding of how boards operate and their role in upholding corporate sustainability. Combining these theories and findings from experts who have a profound understanding of how these boards operate in practice provides a compelling fusion of information that will inform current and future research into the deployment of boards in Saudi Arabian banks.

6.2. Understanding the Role of the BODs and SSB

According to Pfeffer and Salancik (2003) and Hillman et al. (2009), the RDT indicates that no institution can exist on its own. Each institution is dependent on other systems around them to succeed. According to Haridan, Hassan, and Karbhari (2018), it is only through such dependency can they secure the resources necessary for their sustenance. Alhabshi and Bakar (2008) pointed out that under provisions of the RDT, the BODs serve as a strategic resource, responsible for brokering resources for the organizations from the external environment, which other persons in the organization cannot secure for the organization, as observed by Narayan and Phan (2019). As a result, Narayan and Phan (2019) noted that the BODs need to constitute people with connections as well as the ability to operate in two distinct contexts, i.e. the internal and external environment of the business. In doing so, they can secure resources or acquire information from the external environment, which they, in turn, bring to the internal environment to help the organization continue with their operations. According to Awad, Norat, and Son (2014), a successful BOD can satisfy all these functions in a co-optative role. The co-optation theory sees the BODs in this light; hence, positioning them as an institution that can give legitimacy to organisations and ensure that institutions have access to the right information, a view shared by O'connell and Cramer (2010). However, this is only achievable if the BODs have the requisite skill level.

Findings from the chapter above support the notions of the co-optation theory, as well as the RDT. Banks in Saudi Arabia, both foreign and international, require awareness of Islamic law. In a quest for local responsiveness, they need to personify aspects of a traditional banking institution, but still maintain a culture and structure that is responsive to demands of Islamic laws (Mohammed & Muhammed, 2017; Morris et al., 2017). However, Williams and Zinkin (2010) caution that it is not possible to achieve this with a BOD that has a traditional constitution, and one that focuses on the classical tenets of CG, focusing very little on the specific social demands of the consumer base. Having an SSB ensures that these banks can respond to the socio-cultural demands of the local market; hence, satisfying the traditional role of the board of serving as a conduit between the internal environment and the external environment (Bernard, & Gendron, 2010; Haridan, Hassan, & Karbhari, 2018). According to Azmat, Skully, and Brown (2015), SSBs have comprehensive knowledge of Islamic law, where most of its members have experience working in the financial industry in a different capacity, either in the BODs or in the executive arm. According to Mullah and Zaman (2015), this gives them the experience, skill, and credibility to influence the course that the banks take in terms of Islamic law. Therefore, they have essential skills and knowledge that conventional BODs lack, which is necessary for ensuring that the banks have the requisite link with the external environment. Without their input, banks would struggle to build the necessary dependencies in the external environment to be successful especially in terms of offering services that align with Shari'ah law (Almutairi & Quttainah, 2017). Their vital skills, experience, and contributions to Islamic law in the banking sector make SSBs an indispensable strategic resource for banks in Saudi Arabia; thus, their success.

From the above, it is conceivable that the RDT helps to make better sense of the assertions that respondents make. A deeper analysis of this relationship by Mollah et al. (2016) revealed that these trends are important in informing theory by showing how developments to the BODs could contribute towards greater efficiency in CG (Almutairi & Quttainah, 2017; Gözübüyük, Kock, & Ünal, 2018). The co-optation theory and RDT help to underscore the role that the BODs play in organizations. In the context of banks in Saudi Arabia, they open up an avenue to gain a more profound look at how a modification to their CG structure helps to realize the primary function of the BODs through the introduction of SSBs (Haridan, Hassan, & Karbhari, 2018). Nothing captures this better than the findings on the service role that the SSB plays. As part of their service role, the SSB contributes towards attaining legitimacy, monitoring compliance, and informing on matters relating to Islamic law (Morris et al., 2017). This is essential because, in Saudi Arabia, most of the consumers in the banking sector are Muslims, which makes them an essential group to develop a dependable relationship with by being conscious of the sociocultural expectations and general lifestyle. Here, organizations need to deploy all the necessary resources that they must ensure that Muslim clients support them. However, Scott (1997) maintains that fiscal resources alone cannot achieve this. They require strategic resources to contribute to the development of internal competencies and a reputation that will resonate with Muslim clients.

The SSBs serve to provide such strategic edge; hence, asserting their value to Saudi banks (Morris et al., 2017). As applies to this study, this is evident in the way that the respondents show confidence when commenting on their role in strategy development. According to the participants, they tend to emphasise that all the decisions that they make is strategic, and rightly so, because their value as a strategic resource is key to corporate success, as per provisions of the RDT.

The links that SSBs help banks to create with the external environment not only reside in the consumer market alone but the community. From the findings above, it is evident that part of the compliance framework for banks is to allow SSBs to align the operations of the banking institutions with provisions of Shari'ah law. While this ends up having a role in influencing the type of products that make it to the market, it also has a role in building corporate legitimacy (Hayat & Hassan, 2017; Mejia, Aljabrin, Awad, Norat, & Son, 2014). Hillman, Withers and Collins (2009) observant that in their role as a conduit between the internal environment and the external environment, boards also contribute towards corporate legitimacy. According to, Judge, Douglas and Kutan (2008), corporate legitimacy refers to the image that an enterprise cultivates in the external environment. Companies that signify positive corporate citizenship accumulate greater legitimacy than those that do not (Pollard & Samers, 2007). Pathan and Faff (2013) also show that legitimacy personified in adopting virtues such as gender diversity improve overall corporate performance. High corporate citizenship scores draw from participation in social affairs or calibration of the corporate structure, culture, and task system to conform to the society's social norms, as per views form Rayman-Bacchus (2006). While the BODs could help companies achieve this, in the context of Saudi banks, they are incapable of exercising this function at a similar competency level as SSBs. This could be attributable to their conflict of interest that arises from their focus on maximizing shareholder wealth, or lack of adequate skill to execute this function (Ghazali, Omar, & Aidit, 2005; My Phan, Daly, & Akhter, 2016). Therefore, the SBs in the Saudi IFIs, through their role in calibrating banks to meet Islamic law provisions, help organizations to cultivate greater legitimacy, which is an integral component for success. According to Almutairi and Quttainah (2017), this is an aspect that explains why they are able to maintain their position, as well as personify immense success, despite the BODs being the conventional authority in organizations.

The analysis above of the influence that the SSBs enjoy shows that they are distinct entities to the BODs, which ensures that the position of the board does not undermine their position within the corporate ranks. Internal business policies direct the application of these institutions to banks in Saudi Arabia contemplate the significance of personifying distinct roles and influences in the practical environment (Haridan, Hassan, & Karbhari, 2018). From the findings, members of the board and members of SSB committees outline different roles within the corporate hierarchy. Though they work in harmony, both boards understand that they have distinct mandates. In addition, it would be easy to covet the influence attributable to another institution, but this does not happen here, given the fact that both parties understand their roles in satisfying the banks' requirement to stay in touch with the external environment (Almutairi & Quttainah, 2017). Analysing these observations in the context of RDT, one could argue that the banking sector in Saudi Arabia would be unable to strike the requisite CG balance without the deployment of SSBs. Through these committees, they ensure that they have a component within their CG structure that will satisfy a mandate that the traditional BODs cannot (My Phan, Daly, & Akhter, 2016).

Therefore, the two boards should be viewed collectively when assessing the CG system of Saudi Arabian banks. Bernard and Gendron (2010) observed that this is evident in the way that they work in harmony, their integrative relationship and seamless ability to incorporate the executive arm to their operation framework. Therefore, a breakdown of the study findings using the RDT reveals that the integrative relationship between the two boards is essential for ensuring a balanced CG structure. This is evident in the way that the SSB complements the BODs to ensure that the organization attains legitimacy in a market that highly values Islamic law.

Observations above draw from the actuality that the two boards focus on distinct aspects of the CG process. In that, the BODs do not lay much emphasis on sustainability through Islamic law compliance. This is where the SBs come in, providing an opportunity for the financial institutions to exercise an alternative voice that will ensure they are able to meet the expectations of Islamic consumers (Najeeb & Ibrahim, 2014). Thus, having the two boards in IFIs create an optimal administrative balance that is necessary for success in the industry.

6.3. Explaining the Connection between the Two Boards

From the findings, it is evident that boards maintain an integrative working connection. The ideology that underlines the BODs and their ambition for the organization plays an integral role in determining the way that they exercise roles in an administrative space where they have an additional institution to be concerned about (Feng, Ghosh, & Sirmans, 2005; Pollard & Samers, 2007). As a result, scholars develop an array of theories that help to understand how the two boards will fit within the same organization (Pathan & Faff, 2013). Some of the important theories on explaining the connection between the two boards which are used to examine the research findings in this study include agency theory and stakeholder theory.

6.3.1. Agency Theory

Agency theory can be used to explain the monitoring and control functions of the BODs and SSBs. In the classic agency theory, the BODs have a monitoring and control function where the shareholders are the principal and the managers serve as agents. In contrast, the SSBs also serve a monitoring and control function in the financial institutions where managers are the agents while the principal includes the wider public and to provisions of the Shari'ah law. According to Farag, Mallin, and Ow-Yong (2018), a major concern by the BODs in CG is the design of efficient corporate control to pressure managers (agents) into acting in the best interest of the shareholders (principal). In the Saudi banking sector, the boards are the agents working on behalf of the shareholders who are the principals (Pathan & Faff, 2013). Bassens, Derudder, & Witlox, (2011) observes that in agency theory, scholars assume that there is no certain market for corporate control, thereby contributing to market failures, adverse selection, incomplete contracts, asymmetric information, moral hazards, and non-existence markets. On their part, Mohammed and Muhammed (2017) noted that the SSBs achieve effective monitoring in the banking sector by ensuring that managers and top executives work to promote the best interests of the wider public by offering Shari'ah compliant products which are legitimate in line with Islamic laws.

Findings from this study revealed that the separation between control and ownership of financial institutions characterizes the existence of an organization. According to Allen and Gale (2001), a major concern in finance and CG is the design of efficient corporate control to pressure managers into acting in the best interest of the shareholders. In this line of CG, there has been growing research interest in agency theory with attempts to create a suitable corporate framework to attain such control. In the Saudi banking sector, the boards are the agents working on behalf of the shareholders who are the principles (Pathan & Faff, 2013). Farag, Mallin, and Ow-Yong (2018) observes that in agency theory, scholars assume that there is no certain market for corporate control, thereby contributing to market failures, adverse selection, incomplete contracts, asymmetric information, moral hazards, and non-existence markets (Allen & Gale, 2001; Williams & Zinkin, 2010).

The government has promoted diverse governance mechanisms to achieve effective monitoring of the banking sector in the Saudi Kingdom in efforts to achieve prudent market competition, eliminate debt, create efficient BODs, executive compensation, and develop markets for corporate regulation. Today, creating effective BOD continues to be an important and feasible option for enhancing CG mechanisms (Pollard & Samers, 2013). As noted in this study, the main functions of the BODs were identified from the information collected from the interview sessions including:

- Planning,
- Deciding the company's ethics and purpose,
- Decide the strategy or direction of the company,
- Control and monitor managers and other top executives, and
- Make recommendations and report to their shareholders.

In all financial institutions, there are growing calls for the need for directors to show independence and autonomy and this demands they pursue discriminating questions and obtain satisfactory answers beneficial to the company. Besides all other interests, the BODs are mandated to pursue the company's interests (Nawaz, 2019). The competence and independence imagination of the directors plays an important part in running an effective enterprise which will determine the success of a company. Managers or agents may not always act in the best interest of bank depositors and other shareholders when the control of a company is separated from its owner. Even so, shareholder assigns authority to the managers, with anticipation that the agent will promote their best interests.

A financial institution under agency arrangements has been developed by Jensen and Meckling (1976) who noted that a shareholder (the principals) could assume themselves that the managers (agents) will make optimal choices only if they acquire suitable incentives and when the agents are effectively monitored. Some of the common incentives include prerequisites, bonuses, and stock options, which are directly associated with the results of company performance resulting from management decisions that maximise stakeholder interests (Farag, Mallin, & Ow-Yong, 2018). In Saudi Islamic banks, the process of monitoring by the principal entails undertaking systematic reviews of the BOD's prerequisites, bonding the agent, undertaking financial audits, and placing some limits on decisions made by the management. The process also involves costs that are inevitable outcomes of the separation between corporate control and corporate ownership (Narayan & Phan, 2019). Even so, the costs are not necessarily bad for the shareholders, although the most important part is that the monitoring activities, they cover must be designed in a way that makes them efficient.

6.3.2. Stakeholder Theory

The findings above indicate that SSBs and the BODs personify variant roles and draw their legitimacy from distinct stakeholder groups. For the SSBs, they draw their legitimacy from consumers and the community, as their responsibility is to ensure that banks develop products that are consistent with the preferences of Islamic consumers. In some banks, they serve to uphold the expectations of regulators, which are another stakeholder group in the Saudi Arabian banking industry (Cline, & Williamson, 2016). The BODs, on the other hand, exists to ensure proper running of the organization by the management team. According to stakeholder theory, organizations have a wide array of stakeholder cohorts, and they experience success by being able to address the needs of the various stakeholder groups (Mollah et al., 2016; Schäfer, Strauss, & Zecher, 2015). Assessing the current state of board deployment in Saudi Arabian banks using provisions of the RDT, it is conceivable that the banks would not be able to realize optimal success without SBs because the BODs do not have the resource constitution required to meet the requirements of Muslim consumers (Obid & Naysary, 2014). In addition, they would struggle to meet the requirements of Islamic law, which is an integral component of the banking industry's regulatory framework (Othman & Ameer, 2015; Nawaz, 2017). Therefore, it is safe to say that the two boards are integral to the realization of expectations from stakeholder groups, basing on arguments from Blair (1996) regarding the role that boards play towards corporate progression. Blair and Roe (2010) maintains that boards are essential in creating an enterprise that is able to realise the various goals set by different stakeholder groups because of their ability to link the internal environment to the external environment. This supplies rationale for the boards having distinct roles, points of focus and stakeholder association.

Stakeholder theory also helps to deconstruct the confined nature of the SB. The BODs are a broad institution that focuses on a wide array of elements pertaining to the organization. In the traditional sense and constitution of the BODs, it should be able to address all the external interaction needs of Saudi banks, at least based on provisions of the RDT (Othman & Ameer, 2015; Cline, & Williamson, 2016). However, Islamic law provides creates a unique operational context, in terms of culture and structure of Islamic banks (Haridan, Hassan, & Karbhari, 2018). As a result, banks require the SBs to complement the BODs to navigate this unique business environment. In fact, for banks in the Saudi Arabian market to satisfy the description of the BODs, they need to have SSBs (Mullah & Zaman, 2015). As a result, one could argue that the Saudi Arabia business context, due to the country's commitment to Islamic law, experiences additional local responsiveness pressure, which creates the need for a CG structure that supports the board in responding to the demands of some stakeholder groups (Cline, & Williamson, 2016; Mollah et al., 2016). From the findings, most of the participants, especially those that are part of SSBs, acknowledge that the SSBs and the BODs, serve to complement each other. Based on the provisions of the stakeholder, such a complementary relationship is integral for the realization of corporate success.

According to Freeman et al. (2010), boards that deploy a stakeholder theory approach tend to take an approach where board members openly advocate the needs of their stakeholders. However, in the context of Saudi banks, stakeholder theory manifests, but with moderation. In that, SSBs ensure that compliance with Islamic laws, while the BODs pursue the interests of shareholders, in an environment that exercises a degree of harmony between the two stakeholder representatives (Mullah & Zaman, 2015). This is an observation supported by Hillman, Keim and Luce (2001), who indicates that stakeholder directors are getting involved in a wider scope of responsibilities, and are representing a wider scope of interests as well. From the findings above, it is evident that the SB will not hesitate to ensure compliance with provisions of

Islamic laws, but at the same time, they have an integrative relationship with the BODs and the executive branch of the organization, reinforced through processes and procedures that mandate and protect their tenure. This supplies an environment where the two boards are able to work together to satisfy their various objectives and responsibilities (Ghazali, Omar, & Aidit, 2005). Consequently, stakeholder theory explains their constitution and necessity but does not dictate how the various board members exercise their responsibility. As a result, the boards open room for other administrative institutions to thrive; hence, a form an integrative relationship that is essential for the successful running of the organization (Grassa, 2015; Mollah et al., 2016). This is integral for addressing stakeholder expectations, both in the internal and external environment. For shareholders, the banks get to ensure that their interests are looked after. Consumers, on the other hand, get access to products that meet the requirements of Islamic law. For example, the findings revealed that the two boards engage with each other during product development and other aspects, such as customer services, auditing, and corporate services.

A better understanding of the phenomena discussed above can be achieved by viewing the argument from a perspective that integrates an additional theory. In this case of the RDT. The section that touches on RDT reiterates the balance that IFIs realize by having both the SSB and the BODs. Extrapolating this to the realms of stakeholder theory, one could argue that it would be difficult for some institutions to satisfy the provisions of the stakeholder theory without establishing the board balance manifested by organizations that have a BODs and SSBs (Haridan, Hassan, & Karbhari, 2018). Much of this is attributable to the fact that organizations focus on variant aspects, with the BODs for cementing a connection with the external environment through their knowledge of the business, and their relationship with other stakeholders (Othman

& Ameer, 2015). However, their focus is not on sustainability, which makes it essential to look at alternatives that will give rise to an administrative structure that is conscious of this phenomenon, especially when operating in a market that has strict cultural standards (Grassa, 2015; Cline, & Williamson, 2016). From this, one could argue that the SSB is a necessary modification to the Saudi Arabian banks' CG to ensure compliance with all the stakeholder cohorts. Muslim clients represent a crucial stakeholder group, as the society is predominantly Muslim. Consequently, an expectation to deliver an institution that is compliant with Islamic law is essential. However, attaining this in an administrative system that does not pay much attention towards sustainability is difficult, an aspect that underscores the need for the SSB.

6.4. Developments in the Role of SSB

The CG structure in Saudi Arabia is complex, in comparison to other parts of the world, specifically for Islamic banks. SSBs are a unique integration into these institutions, given their focus on promoting the adoption of Islamic law (Everett, Friesen, Neu, & Rahaman, 2016). In judging the scope of the effectiveness of SSBs and their relationship to the BODs, the study analyses the degree to which banks integrate these institutions to their corporate structure. The findings reveal that the banks maintain policies and procedure that support the integration and effective operation of SSBs. SSBs, therefore, serve an integral role in the CG structure of Islamic financial institution in Saudi Arabia, alongside the BODs (Ghazali, Omar, & Aidit, 2005; Platonova et al., 2016). In the spirit of integration, banks also incorporate the function of the SSB secretary, who serves as a liaison between the bank and the SSB. Apart from supporting full integration, IFIs have been able to allow the SSB to be active in the service and strategic role of boards in organizations, making the essential to the administrative process of these financial institutions (Grassa, 2015;

Everett et al., 2016). Therefore, SSBs are becoming integral to the CG of Islamic banking, engaging in influential roles, and forging a complementary relationship with the BODs that make it possible for the banks to advance the interests of stakeholders (Almutairi & Quttainah, 2017).

The integrative relationship with the BODs and the clarity of their roles reiterates the value of SSBs to IFIs. This is true, even though their role focuses on aspects of Islamic law, as they serve to promote the legitimacy of the financial institutions through compliance. Such importance shows the reason financial institutions in Saudi Arabia are pushing for policies and processes that will ensure their adequate integration to the CG system (Everett et al., 2016; Grassa, 2015). Through this integration, it becomes possible for them to work with the BODs. In addition, they integrate a wide array of aspects, including culture and resource, to provide meaning and balance to their quest to promote financial institutions that comply with Islamic law (Ghazali, Omar, & Aidit, 2005). The value that SSBs bring to the table and their complementary relationship with the BODs emphasise on the inevitability of change in institutions as captured by the institutional theory. Institutions are subject to change, either through artificial means or spontaneously, as per observations in Zsidisin, Melnyk and Ragatz (2005) and Shafritz, Ott, and Jang (2015). Such transformation is manifesting in SSBs. In their quest to delivering banking services that are consistent with the Islamic tradition, they integrate well with the BODs and other components of corporate administration, mainly because they have something of value to bring to the table.

SSBs also contribute to the realization of a goal that banks would not realize through BODs alone. Islamic financial institutions tie themselves considerably to the social life of their consumers and stakeholders through their commitment to giving legitimate services. To provide 'meaning and stability' to social life, they need to incorporate institutional components than usual to achieve their goal (Abdelsalam et al. 2014; Ginena, 2014). In this case, they have to evolve from the conventional characterization of financial institutions to incorporate SSBs to their CG structure (Schäfer, Strauss, & Zecher, 2015; Platonova et al., 2016). Therefore, SSBs are not a foreign element in their institution framework, but rather a necessity that grows on them, in their quest to realize success in a market that operates. In fact, it is conceivable that the changes witnessed in the institutional composition and involvement of SSBs could be attributable to evolution of corporate legitimacy demands experienced by IFIs (Almutairi & Quttainah, 2017; Everett et al., 2016). The diagram below captures the way that the two boards maintain an integrative relationship.

Diagram 1: Integrated theoretical framework on the collaboration between SSBs, BODs, and top management.

Obid and Naysary (2014) presented a comprehensive theoretical framework which can help to understand the complex interrelationship between the two boards and their influence on CEO and top management. the main corporate theories are closely interrelated in terms of their focus on disclosure, competence, confidentiality, independence, and accountability. Therefore, these CG principles can be used in explaining the issue of Shariah governance and how SSBs are expected to collaborate with the BODs. As applies to the Islamic banks, the main concepts in

Shariah governance include: (1) discharging accountability to stakeholders; (2) ensuring independence of main functionaries in Shari'ah governance; (3) ensuring confidentiality during information disclosure; (4) using competence of BODs to ensure improved performance of IFIs; and (5) increase transparency and disclosure and at the same time the trust and confidence of stakeholders. As outlined in the AAOIFI (2005) and IFSB (2010) guidelines, and by other researchers such as Hayat and Hassan (2017), Mejia et al. (2014), Mohammed and Muhammed (2017), and Ullah, Harwood and Jamali, (2018) these are the five main principles which ensure the quality of SSB governance in IFIs. However, despite the overlap and interactions between the three parties (SSBs, BODs, and top management), the application of individual CG theories is insufficient particularly in the case of Shariah governance. Thus, Diagram 1 depicts the integrated theoretical framework developed based on the three most commonly used theories of CG and how their interrelated concepts can be explanatory while evaluating Shariah governance within IFIs in Saudi Arabia.

In line with Diagram 1, the concepts of information asymmetry in agency theory and accountability in stakeholder theory both call for reporting and transparency on company operations. Thus, agency theory and stakeholder theory can be incorporated to explain one main aspect of SSB governance which is disclosure and transparency as argued by Obid and Naysary (2014). However, both theories concur on the point that disclosure of confidential information can face the firm with the threat of competitive risks which refers to the issue of confidentiality in Shariah governance. In addition, the altruistic view expressed in stewardship theory and stakeholder theory contributes to the concept of accountability to shareholders and stakeholders which is a key concern Shari'ah governance as noted by Azmat, Skully, and Brown (2015).

According to Farag, Mallin, and Ow-Yong (2018) in agent theory denotes reliance of IFIs on the experience and expertise of the agent, which can be integrated with stewardship theory that discusses the use of stewards' skills. Therefore, the theories can be used to explain the issue of competence which SSBs contribute towards the Shari'ah governance of IFIs. The theories also emphasize that for BODs to perform their duties within the Islamic banks, they need to use the SSBs expertise in advancing stakeholder interests and independence of the main functions in Shari'ah governance.

Based on the integrative relationship between the SSB and BODs, this study has shown that SSBs have a strong moderating effect on BODs. Considering that risk-taking is largely inevitable in any IFIs operations, there is a need by SSBs to put in place adequate measures aimed at ensuring BODs and CEOs make financial decisions in their services and products which align with stakeholder interests. Therefore, SSBs play a fundamental role in IFIs to ensure BOD and top management approaches align with Shari'ah compliance. Further, the study notes that SSBs which are composed of Shari'ah scholars make substantial contributions in terms of resources to IFIs. While assessing Shari'ah compliance, Shari'ah scholars through SSBs serve to ensure that every financial product by the BODs and the CEO aligns with the requirements of the Shari'ah law (Gözübüyük, Kock, & Ünal, 2018). Findings from this study, therefore, points out that integrating SSBs and BODs is key to building a strong oversight role in the IFIs and regulating risky decisions which might be made by top management when offering financial services or products.

As argued through agency theory, the board needs to be independent of the CEO to curb self-seeking behaviour of the CEO and the management team. Such an approach helps to ensure that CEOs promote the interests of the principals instead of working to fulfil the limiting interests of top IFI management in Saudi Arabia. In summation, based on the AT and RBV theories, it becomes clear that the resources which SSBs bring to BODs and the independence established in the process heightens oversight roles of the boards enhancing CG in the IFIs, which is beneficial in risk control and financial performance of the Saudi Islamic banks. Moreover, insights from the study reveal that integrating the RBV and AGT theories in IFIs corporate governance research produces more meaningful results in promoting stakeholder interests.

The results obtained from this research offers various implication for the IFIs literature. First, results show that IFIs, regulators, and policymakers in the areas of Shari'ah supervision and CG need to align with the roles played by SSBs and BODs. Bernard and Gendron (2010) proposed a framework for understanding governance effectiveness by largely focusing on the role of audit committees. The comprehensive literature research by Bernard and Gendron (2010) on audit committee effectiveness revealed that the association between timely financial reporting and audit committees is rarely investigated. Their review revealed that the characteristics of audit committees which have the greatest impacts include committee size, number of meetings, competence, independence, and existence. In conclusion, Bernard and Gendron (2010) assert that the effectiveness of an audit committee varies with environmental factors like exposure to lawsuits, enforcement level, and concentration of ownership. However, they caution that firms which mimic the best practices from American companies in terms of audit committees may not always realise desired outcomes. Thus, practitioners and regulators need to be careful when interpreting the results by Bernard and Gendron (2010). From their analyses, they reported that 70 of the 113 studies (62%) examined focused on US public companies, while most other studies rely on data gathered in countries characterized by the Anglo-Saxon model of corporate governance. Their conclusions, therefore, makes it difficult to be replicated to the Shari'ah governance framework used in IFIs when assessing the relationship between SSBs and BODs in promoting service and strategy or monitoring and control functions, respectively. Different from the audit committees in the Anglo-Saxon model, the SSBs focuses on promoting the goal of Islamic accounting attainment as outlined under AAOIFI and IFSB guidelines.

Different from the work by Bernard and Gendron (2010), insights from this study reveals that regulators within Islamic banks need to develop suitable policies aimed at ensuring IFIs make use of CG models in a more comprehensive manner instead of focusing on SSBs and BODs as isolated entities. That is, IFIs regulators and board directors need to ensure that SSBs, CEOS, and BODs work in a collaborative manner towards achieving the same goals in the IFIs. Second, policymakers or regulators need to appreciate that it is very important to strengthen the SSB members' credentials such as independence, confidentiality, and competency. Specifically, the IFIs need to ensure that SSB and BOD members have relevant experience in Shari'ah and Islamic-related financial practices which influence the decision-making process among the CEOs and other top management. Scholars who have better experience in Shari'ah in addition to Islamic financial fields are more likely to make meaningful contributions to IFIs in line with the RBV theory (education, experience, and innovativeness) thereby helping BODs and CEOs make better banking operations.

Third, findings from the interview sessions provide a reliable reference to BODs to configure CG in IFIs across Saudi Arabia. As applies to this study, BODs need to be aware and recognize the important role that SSBs play in supervising the operations of IFIs across Saudi Arabia toward reducing potential lending risks and advancing stakeholder interests. The collaboration between

SSBs and BODs need to be anchored on institutional theory aimed at developing seamless entities focusing on executing banking obligations in line with Shari'ah provisions. Fourth, findings obtained from this study contribute to the extant literature on IFI, specifically on factors which influence their risk-taking approaches. Empirically, there is a paucity of insights about the SSBs and BODs in terms of how they influence bank outcomes by regulating and approving decisions made by CEOs and top management. The study reveals that integrating AGT that stresses on the oversight functions of the SSB, and RBV theory that emphasizes the valuable knowledge SSB contributes to IFIs has a positive impact on mitigating potential risks, promoting performance, and financial position of its stakeholders in Saudi Arabia.

6.5. New BODs Construction for Culturally Sensitive Markets

Islamic banks have a unique business model that stems from hefty cultural demands. Banks offer Islamic banking services outside Saudi Arabia and choose to deploy mechanisms that promote competency in complying with Shari'ah law (Saeed & Izzeldin, 2016). Such uniqueness is attributable to strict cultural demands that intensify the corporate legitimacy burden that these institutions experience (Everett et al., 2016; Schäfer, Strauss, & Zecher, 2015). From the discussion and findings above, it is conceivable that these financial institutions continue to evolve to meet corporate legitimacy demands, and part of this evolution manifests in the emergence of a new CG structure (Macey & O'Hara, 2001; Abdelsalam et al. 2014). Current theory and CG policy view the BODs in a traditional light, prompting most scholarly work to draw a line between SSBs and the BODs. However, this study establishes that they personify a strong relationship, which is attributable to the deployment of a cooperative approach to exercising board power. In addition, it finds that they work to complement each other in the realization of common corporate goals, despite drawing power from variant stakeholder cohorts.

The RDT and the co-optation theory position the BODs as the conduit between organizations and the external environment. Such a role requires skill and connection (Almutairi & Quttainah, 2017; Schäfer, Strauss, & Zecher, 2015). However, in the context of IFIs, the cultural burden that financial institutions experience means that the traditional constitution of the BODs is not enough to ensure the absolute realization of their responsibility as a strategic resource (Ginena, 2014; Macey & O'Hara, 2001). Therefore, the SSB complements the traditional BODs in an area where it comes up short, i.e. providing corporate legitimacy through cultural compliance. From this, it is evident that scholars should stop perceiving the two boards as distinct institutions. Rather, position them as components of the administrative structure working together to meet stakeholder needs (Everett et al., 2016; Gheeraert & Weill, 2015). This study sheds light on theory by showing that scholarly work should now view the two institutions collectively, as they complement each other in realizing the primary goal of the BODs, which is to serve as a linkage between the organization and the external environment.

6.6. The Role of Policy in Shaping CG

In Saud Arabia, IFIs develop internal policies and process that oversee the adoption and integration of SSBs to the corporate structure. This is a growth in CG, not contemplated by law. It is imperative to note that they do so while remaining within the scope of traditional CG rules, i.e. the boards help organizations to interact better with the external environment (Macey & O'Hara, 2001). Consequently, it is safe to say that the study helps to gain a deeper understanding of how banks can improve their CG systems through developing internal policies and procedure, depending on their business profiles and the needs of their business (Almutairi & Quttainah, 2017; Iqbal & Mirakhor, 2007). Both members of the BODs and SSBs reiterate the value of having a framework that ensures compliance with Islamic law, given that the banks operate in a Muslim dominated community. Companies may not contemplate this extension of the CG system for banks due to the complexity associated with it (Abdelsalam et al. 2014; Saeed & Izzeldin, 2016). In fact, the theory does not provide for the same, and research into the establishment of SSBs has been reactive. This shows that good policies play an integral role in promoting CG development, especially when it comes to matters relating to the constitution of the CG structure. Through SSBs, IFIs in Saudi Arabia has the potential to serve Muslim customers in an effective manner.

The value of policy not only manifests in the establishment of SSBs but also their integration with the BODs. Traditional banks have boards to oversee nonexecutive functions and keep the management team in check, but Islamic banks in Saudi Arabia incorporate SSBs to this process, as part of their path to sustainability and legitimacy requires compliance with Islamic law (Schäfer, Strauss, & Zecher, 2015; Saeed & Izzeldin, 2016). Both boards exist within the same corporate space, but serve distinct functions, allowing them to complement each other, as well as work towards a common goal. The organization is able to deploy its strategic resources to the benefit of all stakeholders without causing a strain in relations or resources (Farag, Mallin, & Ow-Yong, 2014; Iqbal & Mirakhor, 2007). Therefore, this study contributes considerably to understanding how policymakers can continue to shape CG. What does this mean for theory? It opens up new avenues for researchers to explore the development process for the BODs. It also identifies a factor that they can integrate into their analysis of CG structures around the world.

This is a great addition to the discourse regarding modelling CG in order to promote effectiveness, ensure sustainability and attain ultimate protection of stakeholders.

6.7. Relationship between Boards

The implications for the findings outlined above shows that the study sets a new foundation for theory by showing that SSBs and the BODs integrate well to promote the realization of organizational goals. This is attributable to the strength of internal policies and process and the ability by the two boards to supplement each other in serving as a conduit between the internal environment and the external environment (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). As a result, this contributes towards an improvement in CG, because the SSB supplies a competency and commitment that is absent in the BODs. Such an effectual integrative relationship creates a foundation for the two boards to discharge their respective roles well (Gheeraert & Weill, 2015). Thus, it is conceivable that the study opens up a new way to perceive board relationships as a measure of effectiveness. In that, instances of a poor connection between the boards responsible for the governance of an institution could be perceived as a CG weakness (Farag, Mallin, & Ow-Yong, 2014). Forbes and Milliken (1999) underline ways that stakeholders could measure board effectiveness. The observation above builds to the framework outlined here, especially in the context of banks that have an SSB. This shows that there are more avenues for analysing the way that boards perform, especially by looking at how they hold themselves up in the CG structure of an organization.

6.8. New Perspective in Institution Development

Institution theory provides an invaluable theoretical model for analysing the way that SSBs emerge as components of the CG structure of IFIs (Abdelsalam et al. 2014). The notion that institutions do not have a definitive classification, and continue to evolve depending on their circumstances provides a strong model for defining the way that corporate systems work (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). Findings from this study were able to establish that the evolution of SSBs in Saudi banks is also attributable to the level of interaction with other components of the financial institutions, facilitated by policy and process development (Iqbal & Mirakhor, 2007). For instance, perpetual interaction with the BODs is a product of internal process and policies that seek to embed SSBs to the CG structure of the organization, for the benefit of the financial institution (Jabbar, 2009; Kabir et al., 2011). This development in the CG structure of IFIs in Saudi Arabia is an indication that institutions cannot have a universal designation, and continue to evolve to personify a profile that promotes their sustainability (Macey & O'Hara, 2001). This finding is crucial for a theory relating to the corporate administrative structure of financial institutions, because it shows that they are institutions that continue to evolve, depending on circumstances in the internal and external environment.

Discussions on CG effectiveness, such as the one by Pathan and Faff (2013), can benefit a great deal from this because it adds on ways that institutions can reinvent themselves internally to be more effective in CG. This is because; they are able to view one of the components that can aid these boards to grow beyond their traditional CG designation (Farag, Mallin, & Ow-Yong, 2014; Macey & O'Hara, 2001). For instance, intensifying the interaction of board members with the internal environment could help them gain a deeper understanding of the organization; hence, increasing their overall effectiveness (Iqbal & Mirakhor, 2007). Taking time to grant the SSB, this privilege does yield positive outcomes. The research adds to the application of agency theory in the context of corporate boards by showing that the more boards interact with relevant processes and stakeholders, inside and outside the corporate environment, the more they become influential and effective in discharging the mandate (Farag, Mallin, & Ow-Yong, 2014). This observation partially explains the differing level of effectiveness between BODs, as well as the fact that they grow at varying rates.

6.9. Implications for Practice

One of the implications for practice is that the results are beneficial to IFIs, regulators, and policymakers in the area of Shari'ah supervision and CG. The research provides new insights to regulators and policymakers in terms of the needed aspects to formulate suitable policy to ensure IFIs make use of CG in a comprehensive manner instead of letting each of the boards work in isolation. That is to mean that there is a need by the BODs and banking regulators to ensure that SSBs and the BODs work in a collective manner to promote robust risk monitoring in IFIs.

Second, the Saudi IFIs need to ensure that they have in place mechanisms to strengthen the SSBs credentials, specifically, by warranting, there is relevant expertise in Shari'ah and IFIs related fields. The approach will be more effective than having Shari'ah scholars whose only role is to influence the decision-making process in SSBs. In the process, companies which have SSBs and comprehensive exposure to the Shari'ah regulations could make significant contributions to IFIs since they can handle practical challenges related to Islamic legal operations.

Third, the findings stress the need to adopt and implement the existing legal provisions for SBs across the Saudi banking and financial sectors. In this case, companies may aspire to put in place suitable measures that promote Shari'ah functions such as enhancing their internal audit and reporting. In addition, companies need to train their members on the role of SSBs and BODs within the organisation and their respective roles. Such training through regular framework will create awareness across financial institutions on the need to integrate SSBs to company compliance governance.

Fourth, the study also provides a reliable reference to BODs on the need to configure their CG processes in IFIs. There is a need among banks which have not fully integrated SSBs to be aware and recognise the importance of SBs and the experience they add to the company in terms of supervising products. Also, the findings bring new insights on finance and banking-related issues to the oversight role and internal auditing reporting in IFIs. From this point of view, the implications of this study for Saudi IFIs are that they give information on the important elements which banks need to take into consideration to attract Muslim investors and customers.

Finally, the findings drawn from this research would serve to enhance customer confidence in IFIs across Saudi Arabia at it gives empirical evidence regarding the extent to which SSBs play a central role in promoting the performance of IFIs in Saudi Arabia. Also, having SSBs in the organisation is central to providing evidence as to the main pillar, which ensures compliance with Shari'ah and Islamic laws. Generally, the results can be used to enhance awareness among IFIs shareholders, marketers, and top management on the significance of SSBs in promoting the performance of Saudi IFIs. Specifically, the results show that the integration of agency theory which emphasizes monitoring and control reveals how the boards work to ensure that principal focus on delivering the interests of shareholders and those of the wider public.

6.9.1. Greater Support for SSBs

From an analysis of expert knowledge on the relationship between SSBs and the BODs, the study establishes that the two institutions of CG share an integrative relationship that promotes corporate success. Furthermore, SBs enjoy a positive space where they can exercise their responsibilities (Jabbar, 2009; Kabir et al., 2011; McNulty et al., 2011). Thus, they become an essential component of IFIs. Despite such progress and value in their deployment, some banks are yet to fortify the policies and process that reinforce their mandate and contribution (Frankfort-Nachmias & Nachmias, 1996). As a result, it is safe to say that this study reveals the true contribution of SSBs in IFIs, and how they link up with the BODs to make these financial institutions better (Jabbar, 2009; Kabir et al., 2011; McNulty et al., 2011). This provides a rationale for banks to reinforce their integration strategies, policies and processes pertaining to the deployment of SSBs, given the practicality of this endeavour, as well as the value that it brings to the CG process.

Apart from unearthing the actual value of SSBs, the study also shows that there are certain corporate legitimacy milestones that the BODs cannot achieve, at least in their traditional construction. The study reveals that the SSBs serve as an additional component of the board that represents other stakeholder groups, namely Muslim clients, regulators, and community members that would like to see institutions adhere to positive social practices. According to Macey and O'Hara (2001), this is an observation that will increase support for SSBs, as they occupy a position in the CG hierarchy that allows them to influence how organizations in the country meet claims from other stakeholder groups (Frankfort-Nachmias & Nachmias, 1996). Islamic financial institutions that have SSBs already realize their value to these stakeholders, an observation of the study that ill also influences their perception in practice (Abdelsalam et al. 2014; Farag, Mallin, & Ow-Yong, 2014). For instance, the respondents acknowledge that members of the supervisory committee take part actively in product development, in a function that they discharge in collaboration with the BODs. Such cooperation ensures compliance with Islamic laws, as well as expectations of other stakeholders in the external environment.

6.9.2. Changing Approach to CG

The addition of SBs in the CG structure of IFIs in Saudi Arabia represents a significant change in the structure of CG in the banking industry (Farag, Mallin, & Ow-Yong, 2014). However, this transformation is a positive one, and IFIs that do not have a supervisory board should use the banks in this research as a benchmark for transforming their CG structure, especially those that manage to have the right policies and procedures in place (Macey & O'Hara, 2001; Garas, 2012). The banks show that it is possible to provide a supporting framework for the BODs to complement them in areas where they show inadequate skill, information, or knowledge. Shifting the CG structure to improve the level of competency of the enterprise is a positive aspect, as it is possible to do so in a way that does not cause a power conflict with legacy systems (Iqbal & Mirakhor, 2007; Gheeraert & Weill, 2015). A crucial aspect to note is that the banks have the power to bring in SSBs into their CG structure; hence, this is a change that they can manage internally. For instance, a multinational institution can establish a cultural diversity division in the CG system, whose purpose is to scrutinize operations to determine their compliance with the local culture, and take corrective action (Garas, 2012; Garcia-Torea et al., 2016). Establishing this department supplies the institution with an additional conduit to the external environment that complements the traditional BODs.

Companies are likely to experience challenges in their implementation of such a structure, but findings from this study also reveal that they can overcome these obstacles to establish a useful system. Among measures that they can take to facilitate the adoption of such governance structure is to foster trust between the various components of the organization in order to enable them to work together (Macey & O'Hara, 2001; Gheeraert, 2014). In addition, the BODs should be willing to accommodate the input from these extensions of the CG structure, which will see these extensions grow, as well as the board themselves grow (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). From this, it is conceivable that the study contributes significantly towards practice, especially given the fact that more and more institutions are pushing towards new markets. While the BODs help to acclimatize to the external environment, emphasis on maximizing shareholder wealth and building commitment from the management group could undermine the prospect of them gaining the competencies needed to navigate new markets. It is here that the extensions to CG structures come in handy to support their function.

6.9.3. Contribution towards Realizing Corporate Legitimacy

Corporate legitimacy in the modern business environment demands companies show success in more areas than just finance. The benchmarks for legitimacy in culturally sensitive markets such as Saudi Arabia intensifies this burden further, especially for multinational enterprises that are coming in from different cultures (Almutairi & Quttainah, 2017). As a result, companies always face a dilemma on ways that they can achieve the right level of legitimacy. In the Islamic banking sector in Saudi Arabia, legitimacy draws largely from the capacity to comply with Islamic law or to build a corporate identity that resonates with the Islamic culture (Frankfort-Nachmias & Nachmias, 1996). The essence of SSBs is to help IFIs to become more responsive to the demands of Islamic law (Jabbar, 2009; Kabir et al., 2011; McNulty et al., 2011). While this is straightforward support for companies in their quest to attaining legitimacy, the study finds that it is not the establishment of SSBs that help companies attain legitimacy; rather, their integration into the organization culture and structure (Macey & O'Hara, 2001; Garcia-Torea et al., 2016). Therefore, it is arguable that this study provides a sturdy ideological foundation that can guide the implementation of these boards in practice so that they can contribute towards the realization of corporate legitimacy.

The study also establishes that such culturally sensitive jurisdictions may require companies to provide additional support for the BODs in exercising its function as a conduit to the external environment. This observation not only influences theory but also practice, in the sense that it underlines the need for IFIs to continuously modify their CG structures to attain legitimacy (Frankfort-Nachmias & Nachmias, 1996). As noted by Gheeraert and Weill (2015), although SSBs are currently helping them solve significant legitimacy challenges, there is a need to keep growing them. Such growth is essential given the fact that legitimacy challenges continue to grow or evolve; hence, it is important to ensure that the boards evolve as well (Bernard, & Gendron, 2010; Garas, 2012). By outlining ways that the SBs grow in IFIs in Saudi Arabia, the study provides benchmarks that companies in the industry can observe to ensure that they can grow their complementary boards (Jabbar, 2009; Kabir et al., 2011; McNulty et al., 2011). Therefore, in revealing that their areas where the BODs could come up short in affirming corporate legitimacy, the study makes a positive contribution to practice by providing a rationale for adopting additional support systems that would help the BODs promote corporate legitimacy.

6.9.4. Effective Management through Compliance

The study not only identifies the integrative relationship between SBs and BODs but also reports compliance among IFIs in their implementation of SSBs, after defining policies and procedures that direct their operation (Baydoun & Willet, 2000; Vogel & Hayes, 2006). Staying in the comfort zone allows companies to maintain the status quo and control resource outflows. It also ensures that those that currently hold a position of power maintain their position (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). Establishing SBs disrupts the CG structure of IFIs in Saudi Arabia, but most of them ensure proper integration with the rest of the CG system (Abdelsalam et al. 2014; Vogel & Hayes, 2006). The incentives of such commitment to Islamic law and SSBs are not only evident in the ability to operate without any legitimacy challenges, but also the ability to continue growing by taking advantage of the additional systems that the institutions embed into their CG structure (Macey & O'Hara, 2001).

Through the effective application of CG policies on the application of SSBs, the study observes that IFIs in Saudi Arabia record a growing complementary relationship between the BODs and SSBs. These committees become influential in operation, strategy, and product design, in a CG environment that meets the needs of almost all stakeholder groups (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). This underlines the value of Building organizations that are compliant with internal policies and processes that seek to improve the CG structure. These developments are taking place against the background of increasing legal and regulation enforcement in Saudi Arabia. As such, corporate environment demands the need for integrity when undertaking financial business transactions, which are a fundamental Shari'ah requirement that promotes diligent management. Effective management determines the long-term success of a company implying that there is a need to nurture a keen culture of law-abidance and integrity (Garas, 2012; Garcia-Torea et al., 2016). Compliance and integrity, therefore, are the basis for opportunities for successful SBs in the IFIs financial and banking sectors (Macey & O'Hara, 2001). By applying bindings values and suitable compliance management, SBs in Saudi Arabia can align themselves in a position to promote their independence and integrity, while avoiding potential breaches to Shari'ah compliance. Thus, effective and integrity compliance are an unalienable element of diligent and reliable SBs based on their independence and focus on advancing stakeholder interests.

6.10. Summary and Conclusion

This chapter gives meaning to the findings of the study by linking it to theory. It analyses the state of the relationship between SSBs and the BODs, mainly by providing the rationale behind the relational dynamics between the two boards. From the findings, it is conceivable that the relationship between the board and directors and SSBs in IFIs in Saudi Arabia is a good one (Granot, Brashear, & Motta, 2012; Iqbal & Mirakhor, 2007). This is evident in the way that they work together towards common goals, even though they represent the interests of variant stakeholder groups. Much of this is attributable to the fact that both boards have a unique and invaluable role to play, as strategic resources of the financial institutions (Macey & O'Hara, 2001). Through SBs, the IFIs can realize corporate legitimacy incentives that they cannot achieve by having a BOD alone (Vogel & Hayes, 2006). The good relationship between the two boards also grows from the fact that there is an optimal board power structure and culture at the banks, which enable them to coexist without conflict.

Analysis of findings in this chapter not only help to address the research aim, which is to assess the relationship between SSBs and the BODs but also has implications for theory and practice. These implications ensure that the study can contribute towards the current discourse on the deployment of boards across the world. Therefore, this study is important to the overall state of financial institutions in Saudi Arabia. This chapter also identifies limitations experienced during the study, such as a limited research context, limited literature on the topic under investigation and reliance on the assumption to a notable degree. To help alleviate the implications of these limitations and to expand research into this area, the study also recommends areas of future research that scholars should pursue.

Chapter 7: Conclusion and Recommendations

7.1. Introduction

The purpose of this study was to investigate the relationship between the SSBs and the BODs Saudi Arabian IFIs. As previously pointed out, the motivation to undertake this research was informed by an array of factors keys among them the limited number of studies in Saudi Arabia, which have been committed to tackling this topic. Specifically, there is currently limited insights on how the deployment of SSBs in Saudi Arabia interacts with other corporate administrative agencies such as the IFIs where there are BODs. As such, undertaking this research was deemed essential because it would be identified as important practices on CG in the Kingdom of Saudi Arabia, and creates a foundation for further research in the future. Besides, the motivation to undertake this study was informed by the dynamic nature of the financial and banking industry in IFIs, where gaps in the literature continue to persist, further emphasizing the need for the current and future studies to address emerging Shari'ah issues in the financial corporations in Saudi Arabia.

Underwriting the above considerations, the purpose of this chapter is to provide a summary of the main findings and conclusions drawn from this study. The findings drawn from this research are based on the interviews, archive research, and literature assessment that was conducted on this topic. The summation of the main findings is presented considering the primary research questions which were identified in this study. First, the study presents insights collected from the first research question, which attempted to investigate the nature of the relationship between the BODs and the SSB in IFIs in Saudi Arabia. Second, the man findings from the study regarding the important factors in the CG structure of IFIs in Saudi Arabia either support or undermine the deployment of the SSB. Finally, the third aspect is focused on identifying the areas of convergence that exist in the roles of the BODs and SSBs in IFIs in Saudi Arabia.

7.2. Summary of Main Findings

The main objective of this research was to explore the nature of the existing relationship between the SSBs and BODs in the Saudi IFIs. Primary focus to undertake this study was informed by the paucity of studies which have assessed the association between BODs and SSBs, a key aspect towards mitigating potential risks in the IFIs because of lending decisions made by top management to ensure compliance with Shari'ah law. Research Question1 was formulated to investigate the nature of the relationship which exist between SSBs and BODs in the IFI sector in Saudi Arabia. Insights obtained from the interview responses revealed that there are six main aspects which are critical in comprehending the nature of the existing relationship between SSBs and BODs.

The main contributions of the identified insights serve to fill the existing knowledge gap in the IFI literature on the nature of the relationship between the BODs and the SSBs in Saudi Arabia. Findings drawn from this study reveal that there is a growing approach towards ensuring the boards achieve IFIs objectives. Changing internal policies and processes reveals a growing tendency of SSBs and BODs to work together and supplement each other in the CG environment (Garas & ElMassah, 2018). Growing collaboration reveals efforts to improve CG in IFIs with SSB providing Shari'ah knowledge which is often absent in the BODs when making lending and other financial decisions. In the process, close collaboration serves to improve BOD competency in decision processes, while addressing potential governance shortcomings in the IFIs. Second, the study found that close collaboration between SSBs and BODs serve to enhance IFIs performance.

The study showed that in Saudi Arabia, financial institutions continue to evolve to meet global competition. In line with the institutional theory, the growing interaction between the SSBs and BODs contributes towards a more effective approach towards meeting the duties in the IFIs. Third, the research observes that there are continuous efforts by SSBs to streamline the CG framework in the Saudi IFIs and align existing complexities.

Fourth, the nature of the connection between the BODs in Saudi Arabia was observed to have a close interconnection with culturally sensitive markets. In Saudi Arabia, the IFIs based their CG on the cultural aspects that are in line with the Shari'ah law. The unique connection was closely linked to Islamic cultural demands that increase corporate legitimacy that the financial institutions encounter. Fifth, the study also noted that the nature of the relation between the SSB and BOD serves to shape CG. Study findings further indicated that the IFIs in Saudi Arabia has attempted to create processes and policies that connect SSBs to improved CG structures anchored on promoting IFIs performance in line with Shari'ah law. Sixth, interview results also indicated that the nature of the interaction between SSB and BODs works towards the realization of stakeholder interests. Interview findings reveal that the SSB and BOD serve an integral part when they collaborate in the financial sector in Saudi Arabia to promote and advance the stakeholder expectations by eliminating potential conflict of interest between the principal and the agent as discussed under the agency theory.

The finding also revealed that the two boards play a complementary role in the Islamic banks in Saudi Arabia where they help eliminate potential governance weakness which might arise in the process and, in the process, establish corporate legitimacy. As applies to this research, the term corporate legitimacy was used to reveal how the BOD and the SSB help financial corporations in

Saudi Arabia cultivate a positive and trustworthy image to the external environment. When financial bodies display positive corporate culture, they tend to command greater legitimacy where their authenticity is further strengthened when they execute their operations in line with the specifications of the SSBs and the strategic roles pronounced by the BODs. For the BOD and the SSB, legitimacy is displayed when the financial corporations in Saudi Arabia adopt the virtues of Islamic laws, which is tailored to improving the overall corporate performance. In addition, legitimacy is increased when the financial institutions take part in social affairs or collaborate with the corporate structure, culture, and task system to conform to society's social norms. While the board might be important in facilitating some functions such as corporate social responsibility, in Saudi Arabia, they have limited capacity when applied to IFIs since the SSBs have higher competency in executing roles closely tied to religious and moral obligations. In part, the BODs are less capable of executing their mandate, perhaps due to what the respondents attributed to a potential conflict of interest which may arise from the desire to maximise shareholder wealth, in addition to possible lack of important religious and Shari'ah skills to execute the function.

7.3. Limitations

The study experiences a number of limitations, including a small investigation context. Narrowing down the setting of research has its advantages, but it is a limitation when it comes to applying the findings of the research. For instance, the context of the study is limited, which could affect the application of the research findings outside Saudi Arabia. Though the literature that the researcher uses hails from different parts of the world, the participants are exclusively drawn from Saudi Arabia. This creates a noticeable application limitation. Some of the readers of the thesis may be looking to apply it internationally, or in another context apart from Saudi Arabia, but the fact that the study draws data from participants exclusively based in Saudi Arabia means that they may find the findings irrelevant for them. Otherwise, taking this approach ensures that the study is focused and supplies an accurate representation of how issues unfold in Saudi Arabia. Another limitation worth noting is the fact that this area of study is yet to be explored by scholarly research; hence, the study is forced to use broad literature on CG (Azid, Asutay, & Burki, 2007). Despite SSBs being an integral component of IFIs in Saudi Arabia that offer Islamic banking services, research on ways that they interact with other components of CG is minimal. This is a major undoing for the study, given the fact that previous studies help to create a solid foundation for any research.

Choosing to conduct the study in Saudi Arabia undermines the prospect of the study being influential in other countries. All the respondents involved in the interviewing process come from Saudi Arabia and serve in banks across Saudi Arabia. In fact, most of them reiterate that they serve in the country's banking sector for a considerable period. This is an indication that the results and findings from the study largely mirror the situation, Saudi Arabia. While the study attempts to alleviate the impact of this limitation by incorporating an array of scholarly research, much of its foundational aspects still draw from Saudi Arabia (El-Gamal, 2006). What is more, the study focuses on a CG system that is exclusive to Saudi Arabia, which also diminishes the scope of application in other contexts. The policy considerations that the study make are for Saudi Arabia. Therefore, most of the findings are relevant to the Saudi Arabia policy environment unless there are countries that deploy similar policy frameworks. Given that this study personifies a plethora of implications for research and practice, this particular limitation undermines the objectives that the study hopes to achieve.

Another limitation of the study is that it focuses on the relationship between SSBs and the BODs, failing to address how SSBs execute their functions. Though the study captures the role of the secretary to the SB, frequency of meeting with the BODs and the way that the committee influences IFIs, it does not provide for procedural elements of the committee, especially relating to the way that the SB executes product, service, and process reviews. While this keeps the focus of the study on the relationship between the two boards, it confines its usage to those who have a profound understanding of SSBs (El-Gamal, 2006). This is attributable to the fact that the study does not take time to explore rudimentary aspects of SBs, including how they inspect services, processes, and decisions within the financial institutions. Another downside associated with failing to outline the operation procedure of SSBs is that the study misses automatic convergences between them and the BODs, e.g. areas of the CG framework where they are directly involved together (Dar & Azami, 2010; El-Gamal, 2006). Therefore, the relationships that the study captures between the BODs and the SSBs are those that are complex in nature or those that the respondents during the interviews do not deem obvious. However, this is out of the scope of the study and opens a good place for future studies to begin their work.

7.4. Recommendations for Future Research

From the above, it is conceivable that the study contributes towards current theory and practice, but it also opens up avenues for future research. The first area that future research should focus on is to assess how the relationship between boards can be used to measure their performance. While this is one of the implications of the study to theory, it lacks a strong research basis; hence, it is important that future research commence here. Successful research into this phenomenon will be integral to ensuring that companies have an alternative approach for measuring the success of the board, apart from just liking at general metrics for success, a mark for board performance. Another area that future research could focus on is the possibility of integrating both boards (Dar & Azami, 2010). From the study, it is apparent that they enjoy a positive working relationship. Therefore, future research could focus on ways that policymakers could integrate the two boards, with the aim of creating a single board. Among issues that research should focus on while investigating this possibility is how it will affect the capacity of experts in Islamic law to continue to champion for greater adoption of the culture (Dar & Azami, 2010). Successful research would make it possible to discern whether or not it will be possible to leverage the good relationship between the two boards further by pushing for a CG structure that brings board members from both spectrums together (Archer & Rifaat, 2006). Other incentives for integration include the chance to improve efficiency by allowing both boards to operate together.

Apart from investigating the prospect of merging the two boards, future research should also focus on the relationship between SSBs and management (Dar & Azami, 2010). Though findings from this study show some essence of convergence, it is not conclusive; hence, future research should push to learn how the two parts of the CG structure relate to each other. Taking this direction would make it possible to accurately quantify the level of integration of SSBs into the CG structure of IFIs in Saudi Arabia (Archer & Rifaat, 2006). In addition, it will help to measure the actual level of compliance by assessing the number of corporate elements that the SC touches on and whether it meets the threshold that the law establishes for IFIs (Dar & Azami, 2010). Future research should also focus on the number of ways that organisations in the financial sector can develop extensions to the BODs. According to the findings of the study and its contribution to practice, board extensions provide an invaluable approach for intensifying success in CG. However, SBs are not the only definitive approach to extending boards, given that there are approaches that companies can modify their CG system, provided they stay within the confines of the law (Denzin & Lincoln, 2008). For this reason, future research should focus on identifying ways prospective board extensions that policymakers and financial institutions can adopt to improve CG (Archer & Rifaat, 2006). Successful research into this phenomenon will see to it that the findings of this study have the practical implications that it should, given the fact that it identifies the value of board extensions.

Future research should also focus on ways that companies can improve the relationship between SSBs and the BODs. This study establishes that the relationship between the two boards is an integrative one, and internal policies and procedures established by companies create a platform for SBs to excel (Denzin & Lincoln, 2008). This creates a platform for building future work, as scholars still have a lot more work to do in terms of learning if the current relationship between SSBs and the BODs can grow any further. It is only through conducting such research will it be possible to discern whether or not these relationships have reached their limit. If no, companies should have ways that they can continue to maximise the connection between the two boards. The five areas above seem a lot for scholars to focus on. However, it is imperative to keep in mind that current scholarly work on the relationship between the BODs and SSBs is inadequate. The study identifies little literature in this area as one of its main limitations. If the research community is to remedy this deficiency, research needs to be broad and comprehensive, covering all possible areas related to the functioning of SBs. The successful growth of research in the areas identified in this study will be integral in bridging the gap between research and practice, which is currently considering.

7.5. Summary and Conclusions

The current research has observed the current relationship between the SSBs and the BODs in IFIs in Saudi Arabia. Findings from this study have provided a useful contribution to the existing literature on the roles of SSB and BOD in Saudi Arabia. Insights which have been drawn from this study indicate that the two boards focus on distinct aspects of the CG process. On one part, the BODs in the Saudi IFIs do not appear to lay much emphasis on sustainability through Islamic law compliance. On the other part, the SSBs exist to fill this gap by offering potential opportunities for the financial institutions to exercise alternative CG in ensuring they are able to adhere to strict financial expectations of Islamic consumers. In the process, having both the SSB and BOD in Saudi Arabian IFIs helps in generating the optimal CG balance, which is essential for a successful banking and financial sector in Saudi Arabia. In addition, based on the obtained results, it can be pointed out that the SSB is a critical unit in the modification to the Saudi Arabian banks' CG in ensuring there is compliance with all the stakeholder and shareholder interests (Archer & Rifaat, 2006). As a predominant group of clients, Muslim depositors, customers, shareholders, and other stakeholder represent a crucial interest group as far as the IFIs in Saudi Arabia are concerned (Choudhury & Malik, 1992; Choudury & Hoque, 2004). As such, there are optimal expectations that the banks and other financial institutions are in place to attain Shari'ah -compliant practices in their products and day-to-day operations. Despite the important role played by the SSB, the study also revealed that the BOD plays an equally central role in strategy and processes across the banking sector (Denzin & Lincoln, 2008). Therefore, there is a need by researchers to cease perceiving the two boards as distinct entities. Instead, the BOD and the SSB are collective units which complement each other in realizing the primary goal and interests of the Saudi stakeholders, in addition to connecting banks and their external environment, which is to serve as a linkage between the organization and the external environment (Dar & Azami, 2010).

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Appendices

Appendix 1: Copy of the interview questions

1. Please describe for me your personal and professional background.

• How did you become a member of this board?

• Are you on any other company boards?

• What is your functional background? Education?

• Have you been an SSB /BoD / CEO of another company?

2. Take me back to your last "regularly scheduled" board meeting that you feel was indicative of a "typical" board meeting and describe the details of that particular meeting for me.

• When was that meeting?

• Who attended? Where was the meeting held? When did it start and end?

• How would you describe the relationships amongst SSB/BoD members? How about with the management team?

• Describe for me what you believe the SSB's /BoD's attitude was towards the board.

• How was the meeting agenda put together?

• Did each member contribute equally to the board meeting? How would you characterize the role that each member played during the meeting?

• What level of pressure did you feel board members experienced relative to the necessity to reach unanimous agreement on strategic decisions?

• How would you describe the nature of the board discussions and deliberations?

• Which SSB/BoD emerged as the leaders in the boardroom? Why? Is this consistent on all issues or did it vary depending upon the subject matter?

• How often does this board meet? What communications or interactions do you have outside of the regularly scheduled board meetings?

• How typical was the last meeting relative to your other normally scheduled board meetings? What varies from meeting to meeting?

3. I'd like to gain a better understanding of your role on the board. How would you describe your own personal role on the board?

• Do you tend to be more hands-on in your board role than other members of the board? Do other board members have the same propensity to engage in the details of the company?

• In your personal board deliberations, what do you think your role is relative to incorporating the interests of the various stakeholders? Does your position differ from that of other board members?

• Personally, are you more concerned with short term tactical performance or the long-term strategic direction of the company? Does your position differ from that of other board members?

4. I would now like to move to a different area. Aside from the routine issues that boards must deal with – the kinds of things you described as part of your typical board meeting – they must sometimes deal with significant strategic issues that impact the long-term performance of the organization. Of the significant strategic decisions that the board has had to make in the past year or two, can you think of one in which you felt the strategic decision-making process within the board was particularly effective? What was it and why did you think the board handled it effectively?

• Take me back to the time that decision was made and help me understand how it evolved?

• What information was provided to the board to assist in the decision?

• Describe the deliberation process – how much dialogue and debate occurred? Who did/said what? "Characterize" each board member and their level of involvement.

• Was there much discussion outside of the regularly scheduled board meeting? Why? Who participated?

• What role did the SSB/BoD and other members of the TMT play in the process? What was their role during the board deliberations?

• At the time that the final decision was made, would you describe it as a "Successful" decision? Why or why not? How did you feel when the process was completed? Why did you feel this strategic decision-making process was particularly effective?

5. I'd like to gain a better understanding of Perceptions of effective collaboration within the bank operations. How would you describe collaboration within the bank operations?

• . What do you think is an SSB/BoD role in a bank?

• . Have you had experiences that did not go well with an SSB/BoD? What were they?

• . Have the SSB/BoD you've encountered worked well with the other professionals?

• . Do you see any barriers to effective collaboration between SSB and BoD? And if so what things would make collaboration between SSB and BoD more effective?

• . How is the SSB/BoD viewed by SSB/BoD in general?

• . What has most influenced your perception of SSB/BoD in the bank?

• . Have you had any interprofessional training with SSB/BoD? If so what?

• . In what areas do you think interprofessional training may be helpful? And how?

• . In what sort of instances would you make a referral to an SSB/BoD?

• . What is the most common way you communicate with SSB/BoD? Is this method effective?

• . How could collaboration between SSB and BoD be improved?

Appendix 2: Template for Participant Consent Form

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CONSENT FORM

Full Title of Project Exploring the Relationship between Shari'ah Supervisory Boards and the Board of Directors in Islamic Financial Institutions in Saudi Arabia.
Name, position and contact of researcher Ahmed Alasmri PhD student [redacted]

Please initial box

1. I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions. ☐

2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason. ☐

3. I agree to take part in the above study. ☐

Please tick box

	Yes	No
4. I agree to the interview being audio recorded	☐	☐
6. I agree to the use of anonymised quotes in publications	☐	☐
7. I agree that my data gathered in this study may be stored (after it has been anonymised) in a specialist data centre and may be used for future research.	☐	☐

________________ __________ ______________

Name of Participant ure Date Signat

________________ __________ ______________

Name of Researcher ature Date Sign

Appendix 3: Research Population

Al Rajhi Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Abdullah bin Sulaiman Al Rajhi Chairman	Stefano Bertamini	Sheikh Abdullah Bin Mohammed bin Khonain (Chairman)
2	Mohammed bin Abdullah Al Rajhi		Sheikh Dr. Yousuf Bin Mohammed Al Ghafees Vice-chairman
3	Bader bin Mohammed Al Rajhi		Sheikh Dr. Abdullah Bin Nasser Al Salmi
4	Sulaiman bin Saleh Al Rajhi		Sheikh Dr. Abdulaziz Bin Hameen Al Hamain
5	Salah bin Ali AbalKhail		Sheikh Dr. Saleh Bin Abdullah Al Lohaidan Member & Secretary
6	Abdulaziz bin Khaled Al Ghefaily		
7	Ali bin Saleh Al Barrak		
8	Moayed bin Issa Al Qurtas		
9	Khaled bin Abdulrahman Al Qoaiz		
10	Alaa bin Shakib Al Jabiri		
11	Saeed Omar Al Issaie		

Alawwal Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Engr. Mubarak Abdullah Al-Khafrah (Chairman)	Soren Kring Nikolajsen	Sheikh Abdullah Bin Suleiman Almanea (Chairman)
2	Mrs. Lubna Olayan Vice Chairperson		Sheikh Dr. Mohammed Bin Ali Algarri
3	Sulaiman Abdullah Al-Kadi		Sheikh Dr. Abdullah bin Abdulaziz Al Musleh
4	Abdulhadi Ali Shayif		
5	Martin Powell		
6	Eyad Abdulrahman Al-Hussain		
7	Javier Maldonado		
8	Frank Vermeulen		
9	Ahmed Al-Olaqie		

Arab National Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Salah Rashed Al-Rashed Chairman	Dr. Robert Eid	Sheikh Abdullah Bin Suleiman Almanea (Chairman)
2	Dr. Robert Eid		Sheikh Dr. Mohammed Algarri
3	Rashid Saad Al-Rashid		Sheikh Dr. Abdullah Bin Mohammad Al-Mutlaq
4	Ahmed Abdullah Al-Akeil		
5	Khaled M. Saad Albawardi		
6	Hesham A. Aljabr		
7	Ahmed Ben Wazae Al Gahtani		
8	Bassem Awadallah		
9	Mohammad Al-ghanamah		
10	Nemeh Sabbagh		

AlJazira Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Engr. Tarek Othman Al-Kasabi Chairman	Nabil Al Hoshan	Sheikh Abdullah Bin Suleiman Almanea (Chairman)
2	Engr. Abdulmajeed Ibrahim Al-Sultan		Sheikh Dr. Mohammed Bin Ali Algarri
3	Khalifa Abdulatif Al-Mulhem		Sheikh Dr. Abdullah Bin Mohammad Al-Mutlaq
4	Nabil Dawood Al-Hoshan		Sheikh Dr. Hamza Bin Hussain Al-Feir
5	Mohamed Abdullah Al-Hagbani		Sheikh Dr. Abdulsatter Abu-Ghudah
6	Abdulsalam Alagil		Sheikh Dr. Mohammed Bin Said Al-Ghamdi
7	Dr. Saeed Saad Al-Mlbrahim		
8	Abdul-Aziz Al-Shaiaartan		
9	Abdullah Saleh Al-Rasheed		

Alinma Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Engr.Abdulaziz Al-Zamil Chairman	Abdulmohsen Abdulaziz Al-Fares	Sheikh Dr. Abdulrahman Bin Saleh Al-Atram (Chairman)
2	Abdulmohsen Abdulaziz Al-Fares		Sheikh Dr. Abdullah Bin Wakeel Al-Sheikh
3	Dr.Hamad Al-Bazai		Sheikh Dr. Sulaiman Bin Turki Al-Turki
4	Saad Ali Al-Kathiry		Sheikh Prof. Yousuf Bin Abdullah Al-Shobily
5	Abdulmohsen Al-Hussain		
6	Dr.Saad Al-Ghamdi		
7	Engr.Mutlaq Al Morished		
8	Mohammed Abanumi		
9	Khaled Mohammed Al-Aboodi		

Riyadh Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Abdullah Mohammed Al-Issa Chairman	Abdulmajeed Al-Mubarak	Sheikh/ Abdullah Sulaiman Al-Menaea - Head of the Committee
2	Mohammed Al-Afaleq		Sheikh Dr. Abdullah Mohammed Al Motlaq
3	Mohammed Al-Nahas		Sheikh Dr. Mohammed Ali Al garRi
4	Abdul-Rahman Jawa		
5	Jamal Al-Rammah		
6	Talal Al-Qudaibi		
7	Nader Ibrahim Al-Wehibi		
8	Mutaz Al-Azzawi		
9	Mohammad Al-Otaibi		
10	Ibrahim Hassan Sharbatly		

SABB Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Mr. Khaled Suleiman Al-Olayan	David Dew	Sheikh Abdullah Bin Sulaiman Al Manea (Chairman)
2	Khalid Bin Abdullah Al-Mulhem		Sheikh Dr. Abdullah Al Mutlaq
3	Mohammed Bin Omran Alomran		Sheikh Dr. Muhammed A. Algarri Bin Eid
4	Suleiman AL-Muhaideb		
5	Saad Al-Fadhli		
6	David Dew		
7	Samir Assaf		
8	Nigel Hinshelwood		
9	Georges Elhedery		
10	Mohammed Al-Yahya		

Samba Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Eisa M. AlEisa Chairman	Rania Nashar	Sheikh/ Abdullah Sulaiman Al-Menaea (Chairman)
2	Ali H. Alireza		Sheikh Dr. Abdullah Mohammed Al Motlaq Vice Chairman
3	Khalid A. Al-Abdulkareem		Sheikh Dr. Mohammed Ali Al garri
4	Fahad I. Al-Mufarraj		Sheikh Dr. Abdul Sattar Abu Ghuddah
5	Ahmed Al-Omran		Sheikh Dr. Nizam Yaqubi
6	Fahad H. AlSedairy		
7	Hamad S. AlQasoumi		
8	Abdullah A. AlRowais		
9	Eng. Mousa A. AlRubaian		
10	Alaa M. AlHarthi		

Banque Saudi Fransi

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Sulaiman Abdulrahman Al Gwaiz Chairman	Patrice Couvegnes	Sheikh Abdullah Bin Sulaiman Al Manea (Chairman)
2	Abdulrahman Rashed Al-Rashed Vice chairman		Sheikh Dr. Abdul Sattar Abu Ghuddah
3	Mousa Omran Al-Omran		Sheikh Dr. Muhammed A. Algarri
4	Dr. Khalid H. Mutabagani		
5	Ammar Abdulwahed AlKhodairy		
6	Mazin Abdulrazzak AlRomaih		
7	Badr Abdullah Al Issa		
8	Jacques Olivier Pierre		
9	Patrice Couvegnes		

Saudi Investment Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Abdallah Salih Jum'ah, Chairman	Musaed Mohammad Al-Mineefi	Sheikh Dr. Mohamed A. Algarri (Chairman)
2	Abdulaziz Al-Khamis Vice Chairman		Sheikh Dr. Fahd Bin Nafel Alsigheir
3	Abdul Rahman Al-Rawaf		Sheikh Dr. Abdulaziz Bin Ahmed Almezeini
4	Dr. Abdulaziz Alnowaiser		
5	Dr. Abdulraouf M. Manaa		
6	Dr. Fouad Al-Saleh		
7	Mishari I. Al-Mishari		
8	Saleh Al-Athel		
9	Mohammad Al-Ali		

Albilad Bank

Number	Board of Directors Members	Chief Executive Officer	Shari'ah Board Members
1	Dr. Abdulrhman AlHumaid Chairman	Abdulaziz Alonizan	Shaikh Abdullah bin Sulaiman bin Manea Head of the Shari'ah Board
2	Nasser AlSubeaei Vice Chairman		Sheikh Prof. Dr. Abdullah bin Muhammad Al-Mutlaq, Deputy Head of the Board
3	Saud Mohammed Alfaiz		Sheikh Prof. Dr. Abdullah bin Mousa Al-Ammar
4	Abdulrhman Ramzi Addas		Sheikh Dr. Abdulaziz bin Fawzan Al-Fawzan
5	Khalid bin Abdulaziz AlMukairin		Sheikh Prof. Yousuf Bin Abdullah Al-Shobily
6	Fahad bin Abdullah Bindekhayel		Shaikh Dr. Muhammad AlOsaimi member and secretary
7	Ahmed Abdulrahman Alhussan		
8	Omar bin Saleh Babaker		
9	Khaled bin Suleiman Aljasser		
10	Fahad Abdullah Alkassim		

National Commercial Bank

Number	Board of Directors Members	Chief Executive Officer	Shariah Board Members
1	Mansour S. Al Maiman Chairman	Saeed M. Al Ghamdi	Sheikh Abdullah Bin Suleiman Almanea (Chairman)
2	MUTLAQ A. AL MUTLAQ Vice Chairman		Shaikh Dr. Mohammed Bin Ali Algarri (Member)
3	Abdulaziz A. Al-Zaid		Shaikh Dr. Abdullah Bin Mohammad Al-Mutlaq (Member)
4	Ibrahim M. Al Romaih		
5	Prof. Dr. Saad S. Alrwaita		
6	Prof. Dr. Saad S. Alrwaita		
7	Saud S. Al Juhani		
8	Anees A. Moumina		
9	Saeed M. Al Ghamdi		

* www.sama.gov.sa

Appendix 4: Interview Transcripts

Interview with SSB member 4

Gender: Male

Occupation: Chairman of SSB in Bank VI

Location: His Office. Duration: 72 mins.

- Yes, I am a member of dozens of Islamic financial institutions in the Islamic world.

- I'm member of the Supreme Council of Saudi Scholars for more than 40 years, and member of the Legislative Council of the Organization of Accounting and Auditing for Islamic Financial Institutions "AIFI".

I hold a master's degree from the Higher Judicial Institute in 1968, I have authored many books in the field of Islamic finance.

Yes, I am a member of dozens of Islamic boards of Islamic financial institutions around the world.

Do you mean the meeting of the members of the Shari'ah Committee, or the meeting of the members of the Shari'ah Committee with the members of the Board of Directors of the Bank?

Researcher: I mean the last meeting of the members of the Shari'ah Committee with the members of the Board of Directors of the Bank.

No problem, can you please tell me about the relationship with the rest of the members of the Shari'ah Committee in this bank.

well, with regard to the relationship with the rest of the members of the Shari'ah Committee it can describe it as a relationship of cooperation and understanding due to the short number of Shari'ah Committee members in this bank (3 members) and all of them are scholars who are known for their professionalism and practical experience in this field.

We usually study the issues before a vote is taken to make a decision. I do not remember that a dispute broke out between the members of the Shari'ah Committee during the discussion of the issue in this bank or other banks that I worked and work through during my long experience in this field, which exceeded more than 30 years.

As for the relationship with members of the Board of Directors. Let me start by explaining to you the mechanism of holding the meeting between the members of the Shari'ah committees and the members of the Board of Directors in this bank.

Regular meetings are usually held at the rate of two to three times per year, as required. I remember that the last meeting with members of the board of directors took place in January at the beginning of 2018. The purpose of the meeting was to inform the members of the

Shari'ah Committee about the Bank's work plans for the new year and to answer the questions of the members of the Shari'ah Committee regarding the nature of their duties in the bank.

All the members of the Shari'ah Committee (3) members and all the members of the Board of Directors of the Bank attended (9) members were attended. The meeting was held at the main meeting hall in the Bank's building. The meeting started at 1pm for two hours.

- Through my long experience in membership of Shari'ah committees in many Islamic financial institutions in the Islamic world. I can describe relationships between members of Shari'ah committee members and board members as "integrative relationship" each team works in harmony and understanding that is reflected positively on the decisions taken by the two boards.

In the Shari'ah Committee, we look at the members of the Board of Directors as a team work as I explained to you previously. We cooperate with them and in my opinion, they are collaborators and they understand the nature of our role and we all strive to achieve the interests of shareholders, stakeholders and employees of the bank and community.

Regarding preparing the agenda of the Shari'ah Committee meetings, the secretary of the Shari'ah Committee, who is a full-time employee at Bank, usually prepares the meeting agenda. one week before the meeting, the secretary sends all information related to meeting to the committee members. During the meeting of the Committee, each member allowed to participate in the debate and vote on the resolution, and whoever has a reservation we recorded that in the meeting report.

As for the agenda of the meeting Board of Director members, the CEO prepares the agenda and send it to the Board of Directors for approval before send it to the members of the Shari'ah Committee through the secretary of Shari'ah Committee. members of the Shari'ah Committee may propose to add any topic for discussion before the meeting is held for inclusion in the agenda.

During the meeting, each member participates in the debate and everyone has the right to express his opinions on the issues under discussion. We are in the Shari'ah Committee keen to express our point of view on all the issues that are discussed.

I have a professional relationship with all the members of the Shariah Committee and all members of the Board of Directors. Sometimes I discuss the Bank's issues outside bank meetings.

I can describe my role as very important for the Board of Directors to clarify the legal provisions of the issues related to the Bank's operations and products. We are in the Sharia Committee playing an important religious role in order to match the bank's business with the requirements of Islamic law and meet the interest of stakeholders.

On the personal level, I do not seek to play the most important role than rest of the Shariah Committee members or BoD members, we complement each other and there is no competition between us, and I think the rest of the members have the same feeling. On a personal level, I am keen to achieve the bank's long-term objectives.

There was a strategic decision taken two years ago and was on the transformation of all the Bank's traditional operations to the processes of conformity to Islamic law. In my opinion, Shari'ah Committee were able to convince the Board of Directors to convert bank operations to full Islamic financial services. This decision was made in response to the demands of most shareholders and in line with the need of the Saudi society, which is a predominantly Muslim society. Therefore, the decision was taken by the consensus of the members of the Shari'ah Committee and also by the consensus of the members of the Board of Directors.

In that meeting which lasted for 3 hours, all members of the Shari'ah Committee, all members of the Board of Directors and the CEO were attended.

The Shari'ah Committee presented a study on the need of convert all bank operations to full Islamic financial services, I remember that, some board members Saied it’s difficult to make that decision due to the requirements and the cost of the convert process. It was then agreed on the estimated timetable for completing of convert to Islamic finance within five years. This successful decision made with a cooperation between two boards, especially since the bank is one of the oldest conventional banks operating in the Saudi market and one of the largest conventional banks in the Middle East.

well, I can describe cooperation between members of the Shari'ah Committee as cooperation relationship. As well as there is a cooperation relationship between the members of the Shariah Committee and members of the Board of Directors.

The role of the Shari'ah Committee to give the Islamic opinions on bank's operations in accordance with the requirements of Islamic law. And the role of the Board of Directors is to draw up the strategy of the bank and to ensure the achievement of the objectives of stakeholders and the interests of shareholders.

During my long experience working in Islamic financial institutions, there was no disagreement with board members, because each team understands the nature of the other's role. In my view, the clarity of the respective roles of each party and the commitment of each party to the performance of its tasks contribute to strengthening cooperation.

I have never participated any training course with board members.

Frequently, some issues referred to the board for clarification, so that we can present the Shari'ah decision.

I think the relationship is very good.

The relationship can be enhanced through cooperation and trust.